


Helping Survivors Navigate Credit and Debt Issues: Tools for Economic Safety



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Housekeeping Notes

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 - Use the question box to type a question/comment for the presenter
- We will email slides at end of the webinar.

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NNEVDV



Training Objectives

- How to access and interpret a credit report and score
- How to improve credit
- How to manage and pay off debt, including how to handle debt collectors
- Pros and cons of various debt resolution methods, including debt consolidation and bankruptcy

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There is no quick fix

**Can't make money appear,
can't make bad credit
immediately go away, can't
make debt suddenly go away**

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What is Economic Abuse?



Economic abuse involves behaviors that control a woman's ability to acquire, use, and maintain economic resources, thus threatening her economic security and potential for self-sufficiency.

Adams, A.E., Sullivan, C.M., Bybee, D., & Greeson, M.R. (2008). Development of the Scale of Economic Abuse. *Violence Against Women*, 14, 563-588.



What is credit?

- Your reputation as a borrower
- The ability to obtain goods or services before payment, based on the trust that payment will be made in the future.

Who would you give credit to?

What would you want to know about someone before lending them money?

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Why is credit important for survivors?

- Options for accessing loans at fair rates
- Not just for borrowing money, but also
 - Housing
 - Utility and housing deposits
 - Buying a car
 - Auto insurance
 - Employment

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Why is credit important for survivors?

- Rebuild a financial life independent of partner
- Obtain better jobs, increase income for financial independence
- More financial security and less financial dependence on ex or current abusive partner
- More options and an easier time in reaching goals

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POLL:

Have you pulled your credit report within the last two years?

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The first step is knowing where you stand!

- Three credit reporting agencies
 - TransUnion, Experion, and Equifax
- Each one must provide you with a free copy of your credit report every 12 months (upon request).

www.annualcreditreport.com

Don't be misled by other sites.

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2014

January							February							March							April								
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Pull TransUnion report																													
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28	29	30					26	27	28	29	30	31	23	24	25	26	27	28	29	28	29	30	31						
Pull Equifax report																													

Other info

- Be ready to answer a few security questions (to make sure it's you)
- Can also get additional free reports if denied credit, if on TANF, or in job search
- Credit reports are free, but credit scores are not

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Other info

- Accessibility options
 - Individuals who are Deaf or hard-of-hearing can access TDD service by calling 7-1-1 and referring the Relay Operator to 1-800-821-7232.
 - Individuals who are blind and visually impaired can ask for free credit reports in Braille, Large Print, or Audio Format. Call toll free at 877-322-8228.

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How to read your credit report

Four sections

- Identifying information
- Credit history
- Public records
- Inquiries

- Some reports have a summary at the top or may clearly summarize derogatory information

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2) Credit history

- The kind of credit (installment, such as a mortgage or car loan, or revolving, such as a department store credit card)
- Whether the account is in your name alone or with another person
- Total amount of the loan, high credit limit, or highest balance on the card
- How much you still owe
- Fixed monthly payments or minimum monthly amount
- Status of the account (open, inactive, closed, paid, etc.)
- How well you've paid the account (on-time vs. late payments)

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Reference #: 10-00027-0000000-00 Date of Report: 02/11/2002

Name: Bob Buyer Address: 2204 First Avenue, San Diego CA 92122 DOB: 08/14/1966

SUMMARY

Account Type	Count	Balance	Payment	Current	Closed
Real Estate	1	\$0	\$1200	0	1
Installment	1	\$1247	\$200	1	0
Revolving	1	\$684	\$25	1	0
Other	1	\$181	\$10	1	0
XPIN	6	1	0	4	1

Inquiries: 6 Public Records: 1 Collection Accounts: 0 Delinquencies: 4

DEROGATORY INFORMATION

See Contact Information to contact creditor

Account Information

Account: Citibank Acct#: 123456789 XXXX Type: Revolving

Bureau	Date	High	Monthly	Account	Last	Account	Amount
Bureau Code	Open	Limit	Payment	Balance	Reported	Status	Past Due
XPIN	1	0/92	75	N/A	Closed	10/01	Current

24 Month History

Bureau	30	60	90+	History	Date
XPIN	2	2	1	10/01	

QUIZ:

Which is weighted worse in your credit report - installment debt or revolving debt?

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ANSWER:

Revolving debt is weighted worse.

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3) Public records

- Garnishments
- Tax liens
- Bankruptcies
- Items being handled by collections

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4) Inquiries

- A list of every entity that has asked to see your credit report

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QUIZ:

Does pulling your own credit report hurt your credit score?

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ANSWER:

No – pulling your own credit report does not hurt your score.

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Soft vs. hard inquiries

Soft inquiries

- Pulling your own credit report
- Pre-approved credit offers
- Employer checks and landlord checks

Hard inquiries

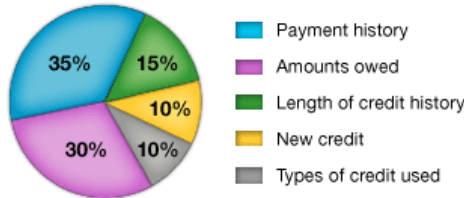
- When you proactively apply for credit
- Mortgage loan shopping
- Car loan shopping
- Each hard credit inquiry can lower your score by five points. *However*, the credit scoring system counts multiple inquiries made in a 14-day period as just one inquiry for large purchases

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So what does all this information say about my credit?

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How your credit score is determined



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Payment history – 35%

Do you pay on time on the debts you already have?
Are you making only the minimum payment?

Amounts owed – 30%

How much of your available credit are you using?
Are you maxed out on your credit cards?

Length of credit history – 15%

How long is your track record?

New credit – 10%

Have you applied for a lot of new credit recently?

Types of credit used – 10%

Installment vs. revolving?
Do they have an asset or product they can get back from you if you don't pay (car or home)?

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If you have ...	Credit utilization (balance/limit ratio)	Length of credit history	New accounts & Inquiries	Your Credit Score range will be...	This Credit Score is ...	The level of interest rates for which you would be eligible...
Late payments, collections, public records	1% – 10%	Long	None	800+	Excellent	Lowest
None	1% – 10%	Medium to long	Very few	750-800	Very good	Lowest
None recently	10% – 25%	Medium	Few	700-750	Good	Low to medium
Recently, but not currently	25% – 50%	Short to medium	More than a few	650-700	Fair	Low to medium
Currently and in the past	50% – 75%	Short	Too many	600-650	Bad	Medium to high
Currently and in the past	75% – 100%+	Short	Too many	Below 600	Very bad	High

How to improve your credit

If you are having technical difficulties, please contact Global Customer Support Center at 1-800-263-6317 or <http://support.gotomeeting.com>.

Correct errors on your reports

- Correcting wrong or outdated information can significantly improve credit score
- However, you can't "fix" accurate information

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QUIZ:

What percentage of credit reports contain errors?

If you are having technical difficulties, please contact Global Customer Support Center at 1-800-263-6337 or <http://support.gotomeeting.com>.

ANSWER:

79% of credit reports contain errors.

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QUIZ:

What percentage of credit reports contain serious errors that could result in the denial of credit?

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ANSWER:

25% of credit reports contain serious errors.

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Correct errors on your reports

- Correct Personal Information
- Duplicate information
- Uninvited Inquiries
- Length of Inquiries (more than 2 yrs)
- Length of delinquency/public records (more than 7 yrs)
- Length of bankruptcy (more than 10 yrs)
- Unfamiliar Accounts (dispute)
- Outdated Collection Accounts (7 yrs)

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How to do it

- Make a copy of your credit report and circle incorrect information.
- Write a letter to the agencies detailing the inaccurate information.
- Explain each dispute and request an investigation for resolution.
- Send a similar letter to the creditor reporting the incorrect information.
- Send all materials by certified mail with return receipt.

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How to do it (continued)

- The reporting agency will initiate an investigation by contacting creditors to verify the accuracy of the information.
- It is the creditor's responsibility to prove the debt is yours. If they do not, it should be removed.
- Note, if you dispute a debt that you owe, it may reappear later.
- Personal statement

Sample dispute letter at <http://www.consumer.ftc.gov/articles/0384-sample-letter-disputing-errors-your-credit-report>

Beware of credit repair scams!!!

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Strategies for improving credit

- Pay your bills on time.
- If you have missed payments, get current and stay current. The longer you pay your bills on time, the better your credit score.
- Don't cancel your credit cards
- Follow the 30% rule
- Credit freezes
- Close credit lines and credit cards held jointly with batterer, *unless the history is good*

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QUIZ:

Which is worse: bad credit or no credit?

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ANSWER:

Having no credit is worse.

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Strategies for building credit

- Open a bank account or credit union account
- Joint credit accounts
- Get a secured CD
- Get a small installment loan
- Get a gas station credit card
- Alternative credit
 - Reference letters from landlord and utility companies attesting to on-time payments
- Seek out the assistance of a reputable nonprofit credit counseling agency (more on this later)

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Dealing with debt

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Foundation of Good Advocacy

- Keep your values in check and stay open minded
- Communicate empathy; use a strength-based approach
- Remember your role:
 - Listen, educate, empower, assist, inspire
 - Role play, practice, equip, support
- Be persistent in challenging cases. Don't give up -- ask mentors until you resolve the issue with the client

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Strategies for dealing with debt

- Develop a spending plan (a.k.a. a budget)
 - <http://www.consumer.ftc.gov/articles/pdf-1020-make-budget-worksheet.pdf>
- Stop accruing debt

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Strategies for dealing with debt

- Contact your creditors
 - Ask for special payment options
 - Reduced payment, lower interest, etc.
 - Determine what you can pay and make an offer
 - Ask pay cash to settle the debt
 - Tax refunds

It is MUCH easier to get leniency BEFORE it is in collections!

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Strategies for dealing with debt

- Create a plan of action for tackling the debt
 - Prioritize paying debts on what you need (e.g. housing, car)
 - "Snowball" your debt payoffs
- Contact a reputable, nonprofit credit counseling agency
 - National Foundation for Credit Counseling - <http://www.nfcc.org/FirstStep/locator.cfm>
 - Local cooperative extension office
 - ***Beware of debt settlement scams!***

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Strategies for dealing with debt

- Mortgage debt
 - <http://www.makinghomeaffordable.gov/>
- Student loan debt
 - <https://studentaid.ed.gov/repay-loans>
- Medical debt

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What to do with debt pay off offers

1. Get offer in writing and keep a copy
2. Pay with a cashiers check – never cash – and keep a copy
 - Money orders are difficult to track
 - Consider return receipt for large amounts
3. In Memo section:
 - Write acct #'s on cashier's check + payment option
 - "paid in full" or "settled in full"

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What to do with debt pay off offers

4. Ask creditor to send you a settlement letter showing a zero balance (keep copy).
5. Send copies with a dispute letter to all credit bureaus and ask accounts to be updated (your score should go up by the next month).
6. Verify correction and file in a safe place.

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Dealing with debt collectors

If you are having technical difficulties, please contact Global Customer Support Center at 1-800-263-6337 or <http://support.gotomeeting.com>.

POLL:

Have you ever dealt with a debt collector, or worked closely with someone who has?

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Fair Debt Collection Practices Act

- You have rights when it comes to debt collection!
- Debt collectors are prohibited from
 - Calling you before 8 a.m. or after 9 p.m.
 - Calling you at work if your employer doesn't allow it
 - Calling your friends and relatives
 - Cursing or insulting you
 - Demanding you pay more than you owe
 - Telling you you'll be arrested for nonpayment
 - Claiming that papers are legal documents if they are not

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Fair Debt Collection Practices Act

- Validation notices
 - Collectors must send within 5 days of first contacting you
 - Notice must include how much money you owe, the name of the creditor to whom you owe the money, and how to proceed if you don't think you owe the money.

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Cease communications letter

- Collection agencies must stop contacting you after receiving this letter.
- Doesn't erase your debt, but stops the phone calls
- See sample cease communications letters at <http://www.consumerfinance.gov/askcfpb/1695/ive-been-contacted-debt-collector-how-do-i-reply.html>
- Send the original by certified mail, and pay for a "return receipt" so you'll be able to document what the collector received.

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Debt management plans (DMPs) and bankruptcy

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Debt Management Plans (DMPs)

- A great alternative to debt consolidation
- One monthly payment distributed to multiple creditors
- Contact a reputable, nonprofit credit counseling agency
 - National Foundation for Credit Counseling - <http://www.nfcc.org/FirstStep/locator.cfm>
 - Local cooperative extension office
- Learn more about DMPs at <http://www.clearpointcreditcounselingsolutions.org/debt-management-plan-dmp-a-safe-alternative-to-debt-consolidation/>

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Bankruptcy

- Bankruptcy is a last resort.
- It cannot clean up a bad credit record and will be part of your credit record for up to 10 years.
- Before considering bankruptcy, consult a nonprofit credit counselor.
- There are different forms of bankruptcy.
 - Chapter 7 wipes out all debts and provides certain personal-property exemptions.
 - Chapter 13 is a court-approved repayment plan. The debtor keeps all property and makes regular payments on the debts after filing for bankruptcy.

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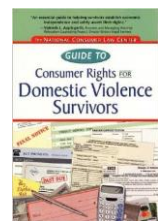
Helpful resources

- www.annualcreditreport.com
- **Federal Trade Commission's Consumer Information website** – <http://www.consumer.ftc.gov/>
- **Consumer Financial Protection Bureau** – <http://www.consumerfinance.gov/>
- **Georgia Governor's Office of Consumer Protection** – <http://consumer.georgia.gov/>
- **National Foundation for Credit Counseling** – <http://www.nfcc.org/FirstStep/locator.cfm>
- **Making Home Affordable Program** – <http://www.makinghomeaffordable.gov> or 888-995-HOPE (4673)
- **U.S. Dept. of Education Federal Student Aid** – <https://studentaid.ed.gov/repay-loans>

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Helpful resources

- **National Consumer Law Center's special project on DV survivors** – <http://www.nclc.org/special-projects/domestic-violence-survivors.html>
- **Center for Survivor Agency and Justice** – <http://www.csaj.org/>
- **NNEDV and AllState's Click to Empower** – <http://www.clicktoempower.org/>



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THANK YOU!

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