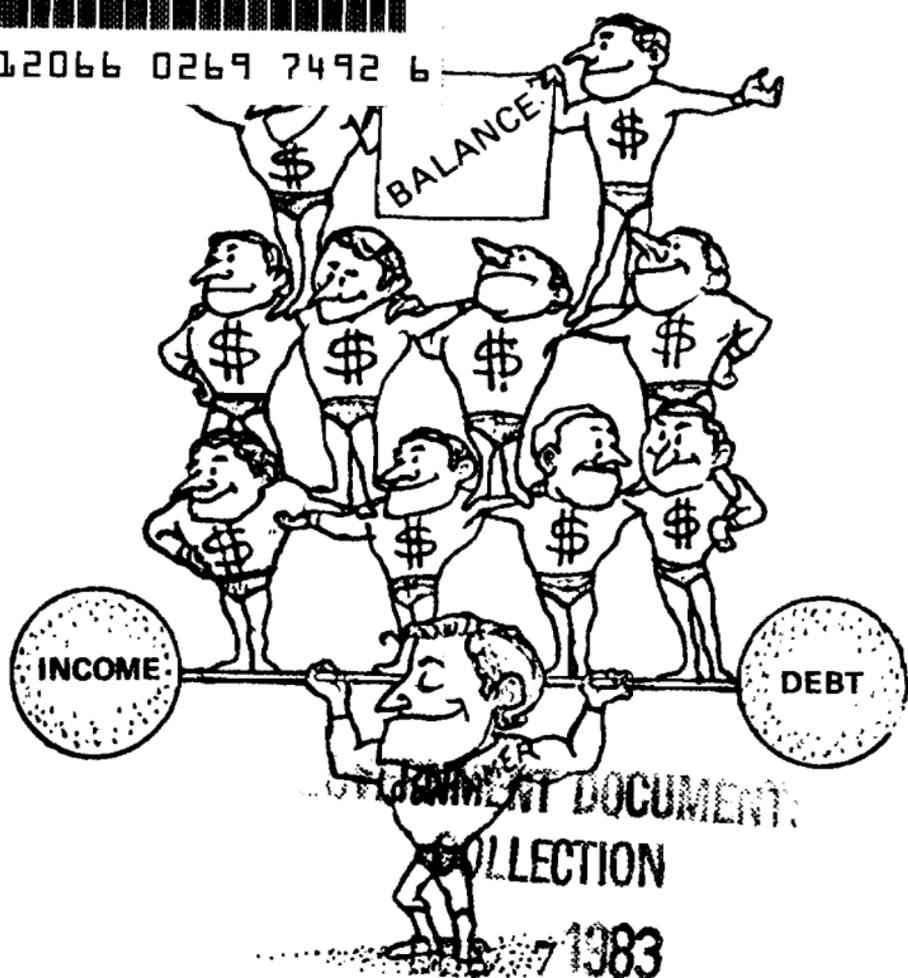


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Consumer's Credit Guide



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HOW TO ESTABLISH CREDIT

Creditworthiness consists of three characteristics — ability to pay, willingness to repay debt, and collateral. Lenders look for signs of financial reliability (residential stability, employment history, and adequate income). Your credit history includes consideration of the amount and frequency of past borrowings, and the reliability and promptness of repayment. Many types of loans are unsecured, but secured loans require collateral. Collateral is property used to secure a loan. The most common type of collateral is the item you wish to purchase with the loan (such as a car or home).

A credit history is composed of raw data which a credit grantor must analyze to make his own evaluation. A credit history is used to determine if the consumer is paying his obligations on time, and if he has listed all of his financial obligations completely and accurately. A credit history does not contain a "credit rating." The items commonly included in a credit history are these:

- **Outstanding Credit.** When a borrower is 30, 60 or 90 days delinquent on a loan or line of credit, a bank will inform the credit bureau and the delinquency will be included on your record. All loan applications are held 25 months regardless of approval or denial.
- **Retail Credit.** Subscribing merchants report delinquencies of 30, 60 and 90 days.
- **Collection Agencies or Attorneys.** A collected debt remains on the borrower's credit history as "paid satisfactory" or "paid not according to terms" for 7 years.
- **Civil Judgments.** Information on bankruptcies is kept on file for 10 years as of October 1, 1979.
- **Automobile Dealers Financing Company.** Major car financing companies report to the major credit bureaus.
- **Education Loans.** Delinquency reports are obtained from colleges, universities and banks.

HOW TO EVALUATE YOUR USE OF CREDIT

More than 50% of all families in the United States have cash loans outstanding, or they have installment loan debts. The use of credit has a positive value:

- To purchase a home or other essential item
- To finance education or medical bills
- To benefit from special sales
- To replace expensive services with equipment (such as lawn mowers, snow plows, washing machines, etc.)
- To make money by investment.

Your debt load, not including your home mortgage, should be below 20% of your after-tax income. If you recently have become unemployed, you may now be overextended just because you no longer have the same take-home pay.

- Vow immediately to slash your debt load. Try to stay within 10% of your salary or unemployment benefits, or use the guideline of one-third of your discretionary income (the money you have left over after you have paid for essential food, clothing, shelter and transportation).
- You may decide to pay off merchants whose debt balances are small (thereby reducing your number of creditors) or you may decide to reduce the single debt which is most costly. If the idea of a consolidated loan appeals to you because of its simplicity, make sure that you will not have to pay more for this convenience than if you continue to pay off your debts individually. Before you take action, fill out the form provided below which will help you to determine the best course of action.

	AMOUNT OUTSTANDING	MINIMUM PAYMENT PER MO.	APR
Auto Loan(s)	\$	\$	%
Boat Loan(s)			%
Credit Cards:			%
Visa			%
Master Charge			%
American Express			%
Oil Charge Card			%
Other Charge Card(s)			%
Revolving Credit:			%
Specialty Store(s)			%
Department Store(s)			%
Personal Loan(s)			%
Overdrafts on Checking Accounts			%
TOTAL AMOUNT OWED	\$	\$	

Divide the total amount outstanding by your annual take-home pay. If this exceeds 20% you are over extended even if you can pay the minimum payment per month.

APR is an abbreviation which means *Annual Percentage Rate*, or the true annual interest costs for funds borrowed. It is illegal for a financial institution in Massachusetts to quote *add-on rates*.



CREDIT BUREAUS AND THE LAW

Credit bureaus are companies regulated by Massachusetts law. They gather and sell information about consumers' credit standing and report their findings to creditors, insurers, merchants, and employers. Consumers are protected against the circulation of inaccurate or obsolete information which may affect their credit standing.

If an individual is denied credit, employment, or insurance based upon the contents of a file furnished by a credit bureau, the consumer so affected must be informed of this fact, and he must be furnished with the name of the credit bureau. Also, if the user of a credit file increases credit charges based upon information contained in a credit report, a disclosure of this fact and the identity of the credit bureau must be made to the consumer. A creditor may act upon your credit application by giving you a counter-offer. Examples of counter-offers would include approval for an amount less than you have requested, requiring you to provide a co-signer, requiring you to provide more security for a secured loan, or a higher down payment for a mortgage. If you are dissatisfied with the terms of a counter offer, you are entitled to a letter of explanation from the credit grantor.

When sources other than a credit bureau are used as the basis for credit denial or higher credit charges, the credit grantor must furnish such information to the consumer. Upon a written request a formal explanation of the reasons for credit denial and a description of the nature of the information which served as the basis for credit evaluation must be provided. Prior notification must be given to a consumer when a credit report user wishes to obtain additional information requiring interviews with a consumer's personal associates and acquaintances. The nature and scope of the investigation must be revealed when the consumer is notified.

CONSUMER RIGHTS AND THE CREDIT BUREAU

Upon the request of a consumer with proper identification, each consumer reporting agency or credit bureau must clearly and accurately disclose to the consumer the nature, contents and substance of all information, except medical information, in its file on the consumer at the time of the request. If the consumer makes a written request, the agency must deliver a written copy or photocopy of all such information except any code identifications which are used solely for purposes of transferring such information to and from credit reporting agencies. The names of the users corresponding to the code identifications must be disclosed to the consumer. These disclosures must be made to the consumer (1) in person if the consumer appears in person and furnishes proper identification; or (2) by telephone if the consumer has made a written request, with proper identification, for telephone disclosure and the toll charge, if any, for the telephone call is prepaid by or charged directly to the consumer; (3) by certified mail, if the consumer has made a written request, return receipt-requested, deliver to addressee only. If the consumer disagrees with the information contained in his file, he may dispute the accuracy of any statement. If the dispute cannot be resolved immediately, the consumer is entitled to enter his own statement in the file and to have it included in all future reports. The consumer may also request that corrected copies must be sent to recipients of prior reports. Remember, it is the responsibility of the consumer to correct the report.

When a consumer makes a request within 30 days of notification of adverse action by a user, the consumer cannot be charged for the cost of disclosure, however costs for photocopying and certified mail may be assessed. If the consumer fails to act within 30 days, the credit bureau may charge the consumer a reasonable fee for making disclosure, photocopying, and certified mail costs, if any.

In a case where malicious or willful intent to injure the consumer is alleged, a suit for defamation of character or invasion of privacy could be filed. Such action would require the services of an attorney. Any questions about credit bureaus or credit in general should be directed to:

Office of the Commissioner of Banks
Consumer Assistance Division
100 Cambridge Street
Boston, Massachusetts 02202
Telephone: 727-2102



For further information, you may wish to obtain the Consumer's Debt Guide and Consumer's Budget Guide which are also available from our Office.



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