



# YOUR Credit Rights

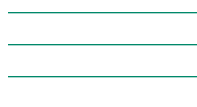
**University of Illinois Extension**  
College of Agricultural, Consumer  
and Environmental Sciences  
UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN  
Circular 1351





### Common Credit Problems

- You are asked to sign a credit contract that does not list all the credit costs.
- You receive a credit card through the mail that you did not request.
- Someone else makes purchases on your lost or stolen credit card.
- You apply for credit and are refused.
- You learn that your file at the local credit bureau contains incorrect or outdated information.
- You are asked by a credit interviewer whether you plan to have children soon.
- You think that there is a mistake on your bill for credit purchases.
- You discover a major defect in an item on which you are making payments, and the merchant insists that you continue to pay for the item.
- You receive harassing telephone calls from a debt collection agency.
- You lose your ATM card.
- You want to find a credit card with no annual fee.
- You want to open a home equity line of credit but are concerned about the costs.



Before 1969, credit consumers had limited protection against unfair creditor practices.

Since that time, however, several federal and Illinois laws and regulations have been enacted that establish the rights of consumers in a variety of credit situations. This publication describes these laws and the situations to which they apply. For example, you as a credit consumer are now protected if you find yourself faced with the problems listed at the left.

**Knowing your rights will help you make informed credit decisions and deal effectively with many credit problems.**

# Credit Cost Disclosure (The Truth-in-Lending Act)

Title I of the Consumer Credit Protection Act, or Regulation Z, is commonly known as the Truth-in-Lending Act. It was written primarily to ensure that you understand how much credit will cost before you make a commitment. Under this act, all lenders and retail merchants must give you specific information about the cost of credit before credit is granted. You then know exactly how much their plan will cost and can compare costs from different sources before deciding what credit plan to use.

The creditor must disclose, in writing, the following information: the finance charge; the annual percentage rate; the payment total (amount financed and finance charge); and the payment schedule (number, amount, and due dates of payments). For credit sales, the creditor must disclose the total price, which could include the down payment. The creditor must also tell you if you are entitled to a rebate of any finance charge through prepayment, whether a penalty is involved for early payment of the balance due on the credit account, or whether there is any charge for a late payment. Finally, the creditor must state that credit, life, and disability insurance are voluntary.

## Finance Charge

The finance charge covers all fees required by the creditor. It usually includes such costs as interest, a

service or carrying charge, loan fees, and premiums for credit insurance that you may buy when you get credit. Expressed in dollars and cents, the finance charge allows you to see at once what the actual out-of-pocket cost of credit will be.

## Annual Percentage Rate

The annual percentage rate (APR) expresses the finance charge, or the cost of credit, as a percentage of the total amount financed. With this figure, you can compare credit terms from various sources even when the amount of credit differs or when the repayment time varies. How the APR is figured depends on whether the credit is open-end (such as revolving credit) or another type of credit (such as installment credit).

**Open-end credit.** For open-end credit, such as department store, bank card, and entertainment card revolving charge accounts, the annual percentage rate is figured by multiplying the interest rate for the month by 12. For example, if the interest rate on the unpaid balance is 1.5 percent per month, the annual percentage rate would be 18 percent.

The average daily balance method is often used to calculate the interest due on open-end credit. To use that method, the creditor adds the balance for each day of the billing period and then divides by the number of days in that period. Let







## Your Credit Rights

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### To request a copy of your credit report

contact one or more of the three major credit service bureaus:



Equifax  
P.O. Box 105873  
Atlanta, GA 30348  
800-685-1111



Experian (Formerly TRW)  
P.O. Box 2104  
Allen, TX 75013  
800-682-7654



Trans Union Corporation  
P.O. Box 390  
Springfield, PA  
19064-0390  
800-888-4213

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are entitled to a free copy of your credit report if you make your request within 60 days of the denial. You also have the right to see your credit report at no cost if it led to you being denied a benefit — renting an apartment, for example. Victims of identity theft, those on welfare, and the unemployed also have the right to one free report each year. When you have to pay to see your credit report, the cost can't be more than \$8.

You may ask the credit bureau to investigate inaccurate, incomplete, or obsolete information. If any information in your file cannot be verified, the credit bureau must remove it. Credit bureaus must consider information you send them, such as a canceled check, when deciding if information in your file is accurate. On request, the credit bureau must also send your corrected file to anyone who received your report in the last six months (two years if the report related to a job application). If the credit bureau reports that the information is correct, you have the right to explain your position in a written statement of 100 words or less. The credit bureau must include your statement in all future reports; you can request that it be sent to anyone who reviewed your files in the last six months (two years for employment purposes).

### Amendments to the Fair Credit Reporting Act

Recent amendments to the Fair Credit Reporting Act give consumers more power to preserve and protect credit records.

### Correcting errors in your credit report

- Creditors now have more responsibility for giving accurate information to credit bureaus. They must certify that information in your credit report is correct when con-

tacted by a credit bureau. You can sue the credit bureau if it doesn't correct mistakes in your credit report after you've notified them. Until now, if you lodged a complaint about an error in your credit report, the bureau was only liable for "investigating" the problem. That could just mean a quick check of their records.

Credit bureaus are also now legally required to share corrections with each other. Once you correct your credit report with the credit bureau, it will be automatically corrected at the others. The credit bureaus also can't put disputed information back in your report without telling you. It's no longer up to you to keep checking to make sure the right information is there. To make it easier to correct mistakes, credit bureaus must staff toll-free numbers. And, they must correct mistakes within 30 days.

**Privacy** - Credit bureaus and similar firms can't release your records to a current or prospective employer without your written authorization. They also can't disclose medical information to insurers and others without your consent. You can ask to have your name excluded from the lists credit bureaus sell to banks and insurance companies for marketing purposes, such as pre-approved credit offers. You can call to get off the list for two years, or fill out a form for a permanent opt-out. If you call any one of the credit bureaus, you're taken off the list of all three (Trans Union, 800-680-7293; Equifax, 800-556-4711; Experian, 800-353-0809). On the downside, banks and stores now can share credit reports and applications with their affiliates. First, though, they must send you a letter giving you the right to stop them from sharing your information. Watch for this type of letter.













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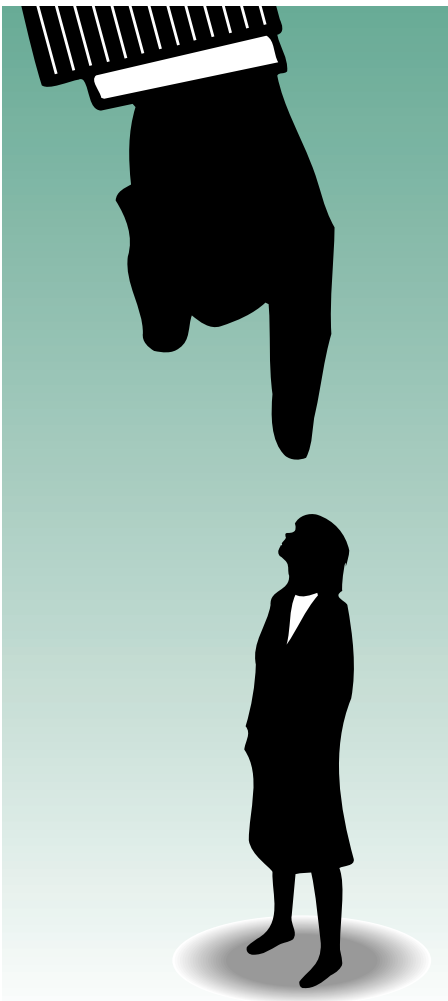
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## Debt Collection Regulations

The Fair Debt Collection Practices Act protects consumers from harassment and intimidation by bill collectors. It establishes a nationwide system for controlling agencies that collect other companies' overdue accounts.

Although many collection firms follow legitimate business practices, some have used unscrupulous methods in collecting debts. This law helps shield you from abusive treatment like threats of violence, harassing phone calls, all forms of false or misleading representation, and the publication of "shame lists" of defaulting debtors. The law is directed toward professional organizations whose principal business is collecting money for others. It does not apply to establishments that handle their own debt collections, such as stores, hospitals, banks, and credit unions.

Under the provisions of the Fair Debt Collection Practices Act, after a collection agency first contacts you, it has five business days in which to send you a written notice detailing the amount of the debt and the name of the creditor. You have the right to dispute the debt in writing within 30 days of receiving the notice. The collector then must verify the amount owed with the creditor and send that verification to you. If you don't dispute the first written notice from the collection agency, the collector can assume that the debt is valid.

If you ask a debt collector in writing not to contact you, he or she cannot, except to tell you there will be no further contact or to inform you of plans to take specific legal action. If you notify a debt collector that you dispute the debt, he or she can't contact you until they send you proof of the debt.

Another provision of the law is that a debt collector may not contact you at work if your employer objects. If the debt collector does contact an employer or friend, he or she cannot divulge that you owe a debt and can only use the contact to locate you. Unless the debtor consents, or unless a court permits, a debt collector may not ask any employer to assist in collecting an employee's debt.

Further, the debt collector may not contact you at inconvenient or unusual times or places. For example, unless you agree, the collector may not call or come to your home before 8:00 a.m. or after 9:00 p.m.

The Federal Trade Commission is responsible for enforcing the Fair Debt Collection Practices Act. You can sue a violating debt collector within one year of the date the law was violated. The debt collector is liable for your legal fees, and the court can award up to \$1,000 in damages and additional damages for any resulting loss you incur, such as the loss of a job as a result of harassment.











