

# YOUR MONEY

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## AAA Cook County Consolidation

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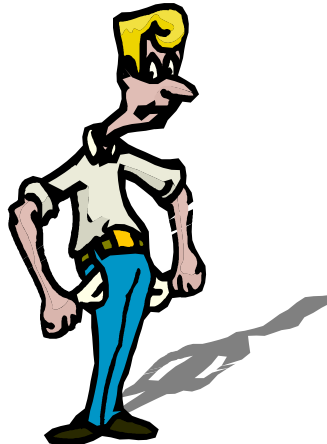
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## Out of Work? How to Deal with Creditors

It's become an all-too-familiar headline and lead story - job cuts, dot.com failures, corporate restructuring and lay-offs. If you've recently lost your job, your first thoughts may be, "how will I make ends meet." Money matters are a source of stress and frustration for many people. If you become unemployed, there are things you should know when it comes to fair debt collection and credit reporting practices.

### Fair Debt Collection

If you find that you can't pay your bills on time, contact your creditors immediately. Try to work out a modified payment plan

that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. At that point, your creditors have given up on you. The federal Fair Debt Collection Practices Act requires debt collectors to treat you fairly by prohibiting certain methods of debt collection. To learn more, call the FTC's Consumer Response Center for a free copy of Fair Debt Collection, or visit [www.ftc.gov](http://www.ftc.gov).

### Fair Credit Reporting

Non-payment and late payments may affect your credit rating and your ability to get credit in the future. Although creditors usually consider a number of factors in deciding whether to grant credit, most creditors rely heavily on your credit history. That's one reason it's important to make sure your credit report is accurate. For example, if your file showed that you were once late in making payments, but didn't show that you are no longer delinquent, it would be inaccurate. The credit reporting agency must show that your payments now are current. The [Fair Credit Reporting Act](#) protects you by requiring credit bureaus to furnish correct and complete information to businesses to use in evaluating your applications for credit, insurance or a job. For more information, request a free copy of the Fair Credit Reporting Act.

## Collecting on "Old" Debts

There's no doubt about it: you are responsible for your debts. If you fall behind in paying your creditors — or if you dispute the legitimacy of a debt — a debt collector may contact you.

"Time-barred" debts are debts so old they are beyond the point at which a creditor or debt collector may sue you to collect.

State law varies as to when a creditor or debt collector may no longer sue to collect: in most states, the statute of limitations period on debts is between 3 and 10 years; in some states, the period is longer. Check with your State Attorney General's

Office at [www.naag.org](http://www.naag.org) to determine when a debt is considered time-barred in your state.

Federal law imposes limitations on how debt collectors can collect debts, including time-barred debts. Under the Fair Debt Collection Practices Act (FDCPA), a "debt collector" generally is any person or organization that regularly collects debts owed to others. The term includes lawyers who collect debts for others on a regular basis, but it does not include creditors collecting their own debts. The FDCPA prohibits debt collectors from engaging in any unfair, deceptive, or abusive practices while collecting debts. It does not erase any legitimate debt that you owe.



## Collecting Time-Barred Debts

Most courts that have addressed the issue have ruled that the FDCPA does not prohibit debt collectors from trying to collect time-barred debts, as long as they do not sue or threaten to sue you for the debt. If a debt collector sues you to collect a time-barred debt, you can have the suit dismissed by letting the court or judge know the debt is, indeed, time-barred. Whether a time-barred debt — or any debt for that matter — can appear on your credit report depends on how long the debt has been delinquent: debts that have been delinquent more than seven years cannot appear on your credit report, with certain exceptions. In addition, a debt collector may not try to collect a debt that has been discharged in bankruptcy, no matter when it was incurred. To learn more about credit reporting, click on [www.ftc.gov/bcp/online/pubs/credit/fcra.htm](http://www.ftc.gov/bcp/online/pubs/credit/fcra.htm).

## Contact with Collectors

Can a debt collector continue to contact you about a time-barred debt you don't think you owe? According to the law, if you send the debt collector a letter stating that you do not owe some or all of the money within 30 days after you receive written notice of a debt, the collector must stop trying to collect until you've been given written verification of the debt, like a copy of the bill for the amount you supposedly owe. The collector can renew collection activities once you've gotten proof of the debt. You can stop debt collectors from contacting you about any debt, regardless of whether you owe it, by writing a letter telling them to stop contacting you. Once the collector gets your letter, it may not contact you again — except to say there will be no further contact or to let you know that the collector or creditor intends to take some specific action. Sending a letter doesn't absolve you of the debt if you actually owe it; the debt collector or creditor still could sue you for the debt.

## Future Collection Efforts

The best way to protect yourself from future collection on any disputed or partially settled debt is to get a form or letter from the creditor or collector that releases you from further obligation. To make sure the release is valid, you may want to consult an attorney. If you believe that a debt collector violated the law, you have the right to sue in a state or federal court within a year from the date the law was violated. If you win, you may recover money for the damages you suffered, plus an additional amount up to \$1,000. You also may recover court costs and attorney's fees. You also may want to report any problems you have with a debt collector to your State Attorney General and to the Federal Trade Commission.

# Credit Insurance: Is It for You?

The next time you apply for a mortgage or personal loan, you may be asked if you want to buy credit insurance, or it might already be included in your loan proposal. Credit insurance protects the loan on the chance that you can't make your payments. Credit insurance usually is optional, which means you don't have to purchase it from the lender. In fact, the Federal Trade Commission (FTC), the nation's consumer protection agency, says it's against the law for a lender to deceptively include credit insurance (or other optional products) in your loan without your knowledge or permission.

There are four main varieties of credit insurance: **Credit life insurance** pays off all or some of your loan if you die; **Credit disability insurance**, also known as accident and health insurance, makes payments on the loan if you become ill or injured and can't work. **Involuntary unemployment insurance**, also known as involuntary loss of income, makes your loan payments if you lose your job due to no fault of your own, such as a layoff. **Credit property insurance** protects personal property used to secure the loan if destroyed by events like theft, accident or natural disasters.

## Shopping Tips

Before deciding to buy credit insurance from a lender, think about your needs, your options, and the rates you're going to pay. You may decide you don't need credit insurance. If you do, credit insurance can be an expensive form of insurance. For example, it may be less expensive and more practical for you to get life insurance than credit insurance. Before deciding to buy credit insurance, you should ask:

- How much is the premium?
- Will the premium be financed as part of the loan? If so, it will increase your loan amount and you'll pay additional interest, and more for points (if points are on your loan).
- Can you pay monthly instead of financing the entire premium as part of your loan?
- How much lower would your monthly loan payment be without the credit insurance?
- Will the insurance cover the full length of your loan and the full loan amount?
- What are the limits and exclusions on payment of benefits - that is, spell out exactly what's covered and what's not.
- Is there a waiting period before the coverage becomes effective?
- If you have a co-borrower, what coverage does he or she have and at what cost?
- Can you cancel the insurance? If so, what kind of refund is available?

Before you sign any loan papers, ask the lender whether the loan includes any charges for voluntary credit insurance. If you don't want credit insurance, tell the lender. If the lender still pressures you to buy insurance, find another lender. And review your loan papers carefully to be sure they have been drawn up correctly. Lenders can't deny you credit if you don't buy optional credit insurance - and if you don't buy it directly from them. If a lender tells you that you'll only get the loan if you buy the optional credit insurance, report the lender to your state attorney general, your state insurance commissioner or the FTC. Consumers should ask these same questions about other extra products offered with their loan, such as auto or shopping clubs, home or auto security plans, and debt cancellation products.

