



CREDIT SHARKS IN SUITS

UNDERSTANDING CREDIT BUREAUS AND COLLECTIONS

We live in a culture that bows down and worships at the altar of the almighty credit score, and it seems like we'll do anything to protect that little number. But what does the credit score really mean? What does it measure? The answer will surprise you!

In *Credit Sharks In Suits*, Dave shows you exactly how the credit score is calculated and what it actually says about you. He will also walk you through common collection practices and strategies for dealing with collectors. Even if you never face these nagging calls yourself, chances are someone you love will!



FICO stands for Fair Isaac Corporation, which developed a score-based rating system that many companies use to measure an individual's credit risk.

While this measurement has become widely accepted, it is a faulty standard that is based on debt, not wealth.

Credit Score

MYTH: You need to take out a credit card or car loan to “build up your _____.”

TRUTH: The FICO score is an “I love _____” score and is not a measure of _____ financially.

Credit Bureaus

Account information is removed from your credit report ___ years after the last activity on that account, except for a Chapter 7 bankruptcy, which stays on for ___ years.

Beware of credit clean-up scams. The only information that may be legally removed from a credit report is _____ information.

The National Association of State Public Interest Research Groups (U.S. PIRG) did a survey of 200 adults in 30 states who checked their credit report for accuracy. They discovered:

____% of those credit reports contained mistakes of some kind and ____% of them contained errors serious enough to result in the denial of credit.

____% of the credit reports contained credit accounts that had been closed by the consumer but incorrectly remained listed as open.

____% listed the same mortgage or loan twice.


You should check your credit report _____, which you can now do for free.

Get a free copy of your credit report from each of the three credit reporting agencies at annualcreditreport.com.

Identity Theft

What to Do:

1. Place a _____ alert on your credit bureau report (stays on for 90 days without a police report).
2. Get a _____.
3. Remember, this is _____. You owe _____ and should pay _____.
4. Contact the fraud victim _____ of each creditor and furnish _____.
5. Be _____ — this will take some time. You now have a new _____.

 Of all the identity theft victims who call in to *The Dave Ramsey Show* for help and advice on this subject, approximately one-half know the person who stole their identities. The thief is often a friend or a family member.

To clean your credit report of inaccurate information, you should write a separate letter for each inaccuracy, staple a copy of your credit report to each letter, and circle the account number.



Correcting Credit Report Inaccuracies

An updated version of the 1977 Federal Fair Credit Reporting Act requires a credit bureau to _____ all inaccuracies within 30 days of notification of such inaccuracies.

You should also request that “inquiries” be removed.

All of these letters should be sent _____ mail with return receipt requested to prove when they receive the letter.

If the credit bureau does not prove the accuracy of the account within 30 days, you should request they remove the _____ account from your file.

Lodge any _____ with the Federal Trade Commission and your state’s Consumer Affairs Division.


You will have to be assertive after the 30-day period!



Collection Practices

- The best way to pay debts is with a _____.
- A collector's job is not to help your overall situation. His only job is to get your _____.
- Collectors are trained _____ or _____.
- They are typically low-paid positions with high _____.
- They are taught in their training to evoke strong _____.
- The way to counteract this technique is to ALWAYS pay _____ first, and then _____ set the order of payment.

Even if a collector sounds like he's your buddy, he's not. He just wants your money, and he'll say anything to get it!

 Your first priorities should always be the Four Walls: food, shelter and utilities, clothing and transportation.

In 1977, a consumer law was passed by Congress called the Federal Fair Debt Collection Practices Act to protect you from unfair collectors. The law technically only applies to collection agencies (not your creditor), but later court cases make most creditors also abide by the FFDCPA.



Federal Fair Debt Collection Practices Act

The Act states that harassment is illegal, and restricts a collector's calls between the hours of _____ and _____ (unless they have your permission).

The Act also allows you to demand that a creditor cease calling you at _____. You should request this in writing by certified mail with return receipt requested.

The Act even allows you to insist that a creditor stop _____ contact except to notify you of _____ proceedings.

Do not use a cease-and-desist letter except in horrible situations, because all _____ stop and any hope of a positive resolution is lost.

No collector or creditor may _____ a bank account or garnish (attach) _____ without proper and lengthy court action, except in the case of delinquent IRS or student loan debt. All such threats are a bluff.

Pro Rata Plan

Your plan should include as much prompt repayment of debt as possible, but YOU must set your priorities of repayment. Do NOT let a collector use your credit report as a _____.

When you are unable to pay the minimum payments, use the _____ plan.

If they tell you they're going to take your paycheck over a credit card or car debt, they're lying. That only happens after a court order, which you'll definitely know about in advance.

Pro Rata Debt List

The best way to beat debt is with a calculated formula! Go!

Don't include consumer debt payments

Add up the total debt column & enter total here

Household Income

Necessity Expense —

Disposable Income =

Total Debt

Total Min. Payments

Add up all your minimum payments & enter here

Use the formula below to find your new payment

ITEM	PAYOFF	÷	TOTAL DEBT	=	PERCENT	x	DISP. INC.	=	NEW PMT.
J.C. Penney	100								
Sears	200								
MBNA Visa	200								
CitiBank Visa	300								
Discover	1,200								

Lawsuits

Typically, lawsuits for under _____ are filed in General Sessions Court (or small claims court), which is a fairly informal proceeding.


Eventually, if you are making no payments and have cut no deals, you will get sued.

Before you are sued, you will be served by the local sheriff's department and typically given _____ days notice of the court date.

In court, if the debt is valid, even if you fight, you will _____.

From that date you will generally have 30 days before the _____ becomes final and garnishments or attachments begin.

At ANY TIME during the process, you may settle with the creditor or their attorney in writing. If you are not able to reach an agreement, you can file with the court a “_____ motion,” called a “pauper’s oath” in some states.

 Make sure that any settlement offer from a creditor is in writing, and never give them electronic access to your account. If they won't put it in writing or accept the payment by check, you really do not have a deal.

BE PROACTIVE!

To stop receiving unsolicited telemarketing phone calls and direct mail marketing (including preapproved credit offers), check out these free, trusted resources:

Prescreening Opt Out

www.optoutprescreen.com

National Do Not Call Registry

www.donotcall.gov

Direct Marketing Association

www.dmachoice.org

ANSWER KEY

CREDIT	PLAN
SCORE	MONEY
DEBT	SALESPeOPLE
WINNING	TELEMARKETERS
7	TURNOVER
10	EMOTION
INACCURATE	NECESSITIES
79%	YOU
25%	8:00 A.M.
30%	9:00 P.M.
22%	WORK
ANNUALLY	ALL
FRAUD	LAWSUIT
VICTIM	NEGOTIATIONS
POLICE	TAKE
REPORT	WAGES
THEFT	PAPER
NOTHING	CLUB
NOTHING	PRO
DIVISION	RATA
DOCUMENTATION	\$10,000
PERSISTENT	10
HOBBY	LOSE
REMOVE	JUDGMENT
CERTIFIED	SLOW
ENTIRE	PAY
COMPLAINTS	



One-Minute Takeaway

What jumped out at you in this lesson? How can this affect your story?



Questions for Reflection

Personal finance is 20% head knowledge and 80% behavior. Take charge of your financial behaviors by thinking through the questions below.

1

What is your reaction to the statement, “The FICO score is not a measure of winning financially”? How is this contrary to what you have always believed or been taught?

2

Why do we say the credit score is actually an “I love debt” score?

3

What are some practical ways you can defend yourself against identity theft? What do you need to remember if you become a victim?

4

In what way is emotion a collector’s best weapon?

5

Why is it important to make the Four Walls (food, shelter and utilities, clothing and transportation) a priority when dealing with bill collectors?

Reading Assignment: Read the “Credit Sharks in Suits” chapter in *Dave Ramsey’s Complete Guide to Money*.

REQUEST FOR FILE DISCLOSURE
CREDIT BUREAU OF NASHVILLE
604 FOURTH AVE NORTH - P.O. BOX 190589 - NASHVILLE, TN 37219-0589

Reason for File Disclosure Request _____

Referred by _____ Was credit refused? yes no

I hereby request the Credit Bureau of Nashville to disclose to me the contents of my credit record. I understand that if I have been rejected for credit within the past sixty (60) days as the result of credit information contained in my credit record, there will be NO CHARGE for this disclosure, otherwise there will be an \$8 charge for an individual disclosure or \$10 for both myself and my spouse.

Name _____ Phone No. _____
Spouse's Name _____
Present Address _____
City _____, State _____ Zip Code _____
Former Address _____
City _____, State _____ Zip Code _____
Date of Birth _____ Social Security No. _____
Employed By _____
How Long? _____ Position _____
Former Employment _____
Spouse's Date of Birth _____ Social Security No. _____
Spouse's Employment _____
How Long? _____ Position _____

I hereby authorize the Credit Bureau of Nashville to review my credit record with me, to make any necessary investigation of my credit transactions and to furnish to its subscribers reports based thereon. In consideration of its undertaking to make such an investigation I authorize any business or organization to give full information and records about me.

I am the person named above and I understand that federal law provides that a person who obtains information from a consumer reporting agency under false pretenses shall be fined not more than \$5,000 or imprisoned no more than one year or both.

Signed _____ Date _____

Telephone Number _____ Ext _____ where I can be reached during normal working hours.

AUTHORIZATION FOR DISCLOSURE OF SPOUSE'S CREDIT RECORD

I, _____, certify that I am presently married to _____, and am acting in his/her behalf in reviewing the credit record information concerning him/her maintained by the Credit Bureau of Nashville.

Date _____

(From)

VIA: Certified Mail, Return Receipt Requested

(To)

Mail Preference Service
Direct Marketing Association
P.O. Box 643
Carmel, NY 10512

RE: Unauthorized direct marketing and pre-approved credit card offers

This letter is your formal notice to remove my name from all direct marketing and pre-screening databases. I do not wish to receive any unsolicited offers, especially from credit card companies.

Not only do I request that my name be permanently removed, but I also request that my phone number and address must likewise be permanently removed. My correct information is as follows:

(Complete Name)

(Full Address)

(Phone Number with Area Code)

Thank you for your immediate attention to this matter.

Sincerely,

(Signature)

Date _____

(From)

VIA: Certified Mail, Return Receipt Requested

(To)

RE: _____

Dear _____,

You are hereby notified under provisions of Public Law 95-109, Section 805-C, the FAIR DEBT COLLECTION PRACTICES ACT to CEASE AND DESIST in any and all attempts to collect the above debt.

Your failure to do so WILL result in charges being filed against you with the state and federal regulatory agencies empowered with enforcement.

Please be further warned that if ANY derogatory information is placed on any credit reports after receipt of this notice, that too will result in action being taken against you.

PLEASE GIVE THIS MATTER YOUR IMMEDIATE ATTENTION.

Sincerely,

(Signature)

Date _____

(From)

(To)

RE: _____

In reviewing the attached credit bureau report issued by your agency, I have detected an error. The following account(s) is/are reported inaccurately:

Company Name: _____
Account Number: _____

Under the provisions of the 1977 Federal Fair Credit Reporting Act, I hereby request that your agency prove to me in writing the accuracy of the reporting of this account. Under the terms of the Act and succeeding court cases, you have 30 days to prove such accuracy or remove the account entirely from my report. I ask that you do so.

This letter was sent certified mail, return receipt requested. I expect a response within the 30-day period. Should I not hear promptly from you, I will follow up with whatever action necessary to cause my report to be corrected.

Please feel free to call me if you have any questions. My home phone number is _____, and my office number is _____.

Sincerely,

(Signature)

Date _____

(From)

(To)

RE: _____

Dear _____,

I am writing to formally request that, in accordance with the 1977 Federal Fair Debt Collection Practices Act, your firm (or any agency hired by your firm) no longer contact me at my place of employment, _____.

Please take note that this letter was mailed certified mail, return receipt requested, so that I will have proof that you are in receipt of this letter should legal action against you become necessary.

I am willing to pay the debt I owe you, and I will be in touch soon to work out arrangements.

Feel free to contact me at my home between _____ a.m. and _____ p.m. at the following number: _____, or by mail at my home address: _____.

Please give this matter your immediate attention.

Sincerely,

(Signature)

Date _____

(From)

(To)

Re: Joe and Suzie Public # 1234-5678-9012-9999

Dear Collection Manager:

Recently I lost my job. My wife is employed in a clerical position. We have met with a financial counselor to assess our present situation.

We acknowledge our indebtedness to you of \$6,000 and fully intend to pay you back in full. However, you are one of six creditors to whom we owe a total of \$42,968. We owe minimum payments of \$782 each month. We are not able to meet these minimum payments at the present time, and we will not go further into debt to meet these obligations.

We have put together a cash flow plan based on our take-home pay of \$2,340 per month (see the enclosed copy of cash flow plan). Since we have two small children and no disposable income, we cannot make a payment to you at the present time, but we do not intend to go bankrupt.

We are asking for a moratorium on payments for the next 120 days. We will keep in close contact with you, and as soon as possible, we will begin making payments. If possible, we further request a reduction in interest during this time.

We are aware that this is an inconvenience to you, but we must meet the basic needs of our family first. We fully intend to pay our creditors all that we owe them. Please be patient with us. If you have any questions please contact us at 600-555-9876.

Thank you for your consideration of our present situation.

Sincerely,

(Signature)