The Consumer Financial

Emergency Survival Kit

New England Consumer Advisory Group

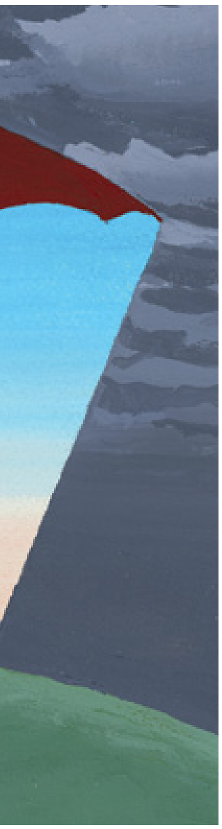
May 2012

The members of the New England Consumer Advisory Group (NECAG) hope you enjoy this revised and updated edition of the *Consumer Financial Emergency Survival Kit*.

This booklet is intended to provide consumers with basic information on a wide range of financial topics, and it includes lists of resources to help you learn more about areas of special interest.

NECAG consists of regulators, attorneys, bankers, academics, consumer advocates, and other financial industry professionals from all over New England. (See agencies listed in the margin to the left.) NECAG meets periodically to identify and address consumer financial protection issues in the region.

If you are interested in additional copies of this publication, please visit http://www.bostonfed.org/consumer, or call the Federal Reserve Bank of Boston's Publications Hotline at 1-800-409-1333.



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Section 1

Auto Loans: Financing

If you are in the market for a car and you intend to finance this big purchase, there are several factors to consider both before you go to the dealership and once you are there.

Before You Go to the Dealership

1. Order a free copy of your credit report. (Go to http://www.AnnualCreditReport.com.) Review it for any errors that could prevent you from getting the best possible financing. Follow the instructions that come with your credit report to correct any errors. You can also purchase your credit score through this site. You are entitled to obtain your credit score for free if you are in the military, if you have been denied credit, or if you have been granted credit but not given the best rate. (See Section 6, Credit Reporting, page 17, for more information on credit reports.)

2. You don't have to finance the car through the dealership where you purchase your car. Check your bank or credit union, local newspapers, and the Internet for other local banks and credit unions that offer auto loans at competitive rates. Compare annual percentage rates (APRs*) offered, and get pre-approved for a loan before you walk into the dealership.

3. Be wary of advertisements that promise easy terms for people with bad credit. These deals often involve high interest rates or require big down payments. Also, don't be fooled by advertisements that say something like "no application refused." It's against the law to refuse to take an application for credit, but it doesn't mean you're going to be approved for credit, and it may just be a way for a dealership to get you in the door.

Once You Get to the Dealership

1. If you are planning to finance the car through the dealership, make sure you negotiate the best price on the car first. Beware of salespeople who right away want to know how much you can afford every month. They might coax you into what sounds like a more affordable credit contract with a longer term and smaller monthly payments. Such terms may be more affordable in the short run, but the car will cost you more in the long run.

2. Negotiate the price of the car before you reveal that you have a trade-in. Once they know that you have a trade-in, dealers often reduce the discounts they offer.

3. Make the largest down payment you can afford. The more you finance and the longer you take to repay the balance, the more interest you pay and the more your car will cost you in the end. And, if you have to sell your car before you finish paying off the loan, you could owe the finance company more than the car is worth.

4. Consider paying for the license fees, title fees, and taxes separately instead of financing them. This will reduce the amount of interest that you will pay.

* The APR provides the true cost of a loan or credit sale expressed as one number that enables you to compare all types of financing options. The APR calculates the annual cost of the credit, taking into consideration the interest rate and other costs associated with getting the loan or credit sale.

5. Before you agree to the contract, determine if there are penalties for paying off the balance early. If possible, avoid contracts that have prepayment penalties.

6. If the dealer requires a deposit on the car, find out if the deposit is refundable should you decide not to buy the car. Get any promises in writing.

7. Know that service contracts, credit insurance and so-called GAP coverage (a guarantee covering the difference between what is owed on a car to the loan company and what the car is worth on the market), extended warranties, and other options are not required and can be costly over the term of the loan. The car dealership may quote you a monthly payment that already includes such back-end products without telling you. For example, your actual monthly loan payment might be $357, but they might tell you it is $421 because they have added the extra products in without asking you if you want them. It is only after you have agreed to the loan payment that the finance manager will tell you that they are included.

   The scenario might go something like this: You agree to a car payment of $421 per month. Then you get to the finance manager's office and he tells you, "Yeah, your payment is only $421 per month, and the great news is that it includes the six-year extended service contract, GAP coverage, and life, accident, and health insurance, as well as paint and interior protection!" At this point, many people will accept the payment, thinking they are getting a great deal because they are getting all of the extras and their payment never changed or went up. What they don't realize is that their actual payment would be only $357 if they did not take the extras.

8. Keep in mind that there are other required associated costs of owning a car that you will be required to pay over the time of your ownership, including insurance, excise taxes, annual registration fees, gasoline, and maintenance.

Additional Resources

Automobiles: Financing, Leasing or Renting
Federal Trade Commission (FTC)
http://www.ftc.gov (Type "Automobiles, Financing, and Leasing" in the search field.)

Car Smart: A Consumer Guide to Buying, Leasing and Repairing a Car in Massachusetts (4th edition)
Massachusetts Consumers' Coalition
http://www.massconsumer.org/Carsmart2006/introduction.html

Keys to Vehicle Leasing: Quick Consumer Guide
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/pubs/leasing
En Español: Consejos para arrendar un vehículo: Guía práctica para el consumidor
http://www.federalreserve.gov/pubs/leasing/guide_spanish.htm

To file a complaint against an auto dealer, contact the Federal Trade Commission. You can file a complaint form online (http://www.ftc.gov/contact/shtm) or call toll free at 1-877-FTC-HELP (1-877-382-4357).

Or contact your state's Attorney General's Office, Consumer Protection Division, or your state's consumer credit regulator. *(See Section 18, Appendix, page 45.)*

Section 2

Banks and Credit Unions: Choosing the Right One for You

There are more than five hundred banks and credit unions throughout New England. How do you pick the one that is best for you? Here are some factors to consider:

Products and Services

Today, most banking institutions offer a wide variety of deposit accounts (checking and savings), credit products (credit cards, overdraft credit line, mortgages, and car loans), investments (money market accounts), and other related services. Consider which products and services you are looking for in your banking relationship and determine which bank or credit union can best fulfill these needs. Factor in convenience and costs in making your decisions.

Different people have different banking habits. Do you visit your bank or credit union weekly, or do you conduct most of your banking business online or by phone? Do you need a bank that has many locations, or do you need one with just a few? Is it more important for your banking institution to be close to home, close to work, or both? Do you prefer to do most of your banking online with a bank or credit union that does not have a physical presence nearby if it means you get other benefits, such as mobile banking or higher interest rates?

Hometown Feel

Some people enjoy banking where many employees know them by name. If this is important to you, consider a smaller community bank or credit union. These institutions may be more customer-focused and better able to provide personal attention than larger regional institutions with more locations and 24-hour call centers.

ATMs

Some banks impose a fee for using another bank's ATMs. If you use an ATM card frequently and like to access your account(s) from more than one location, in order to avoid ATM surcharges, consider using an institution with a large ATM network. Or choose an institution that participates in the SUM or CU24 network. These are surcharge-free networks of banks and credit unions in Massachusetts and several other states. (Participating financial institutions can be found at http://www.sum-atm.com and http://www.CU24.com.)

Some banks offer products that reimburse customers for fees incurred when they use another bank's ATMs. Another way to avoid ATM surcharges is to ask for cash back when you use your debit card to make a purchase rather than withdrawing cash from an ATM.

Online Banking

Today, more than 50 percent of all bank customers do their banking online. Inquire about services offered, how online banking works at the particular institution, and what, if any, fees may be imposed. In the United States, there are a number of "branchless banks," and for people looking for exclusively online banking services, this may be an option. An Internet search will provide more information about these banks.

Fees and Features

State and federal Truth-in-Savings Acts require banks and credit unions to disclose all account fees in advance. Use these disclosures to comparison-shop. Fees may vary based on your account balance, the number and type of transactions you make, and other accounts you may have at the same institution. Consider how large a balance you plan on maintaining in your banking account(s). Many financial institutions waive various checking account fees if a large enough balance is maintained or if you have a regular direct deposit. (Be sure to check how the institution calculates minimum balances — i.e., average, daily, or monthly.)

Consider the number of transactions you will perform monthly, including check writing, ATM use, and point-of-sale transactions, plus any automatic debits you may set up for regular payments (e.g., health club, utilities, car payment, etc.). Some institutions charge for certain transactions, while others may allow you a limited number of free transactions. Review the account features to know whether you will incur fees for out-of-network ATM use or for automatic overdraft protection on your account. Overdraft programs are popular and helpful, but you can incur significant fees if you do not monitor your account balances. (For more on overdraft protection, see Section 15, page 39.) Finally, evaluate fees charged, interest rates paid, and rewards given. In today's low-interest-rate environment, consider whether a NOW account (checking account that pays interest) or a no-frills checking account (checking account that does not pay interest but has lower fees) is your best value.

Elders and Minors

In Massachusetts, state-chartered banks are required to provide no-cost checking and savings accounts to persons 65 years of age or older or 18 years of age or younger. Some federally chartered banks and banks in other states also have special accounts that may offer reduced or limited fees.

Massachusetts Basic Banking Program

Individuals who are unable to maintain a large bank balance should consider low-cost bank account alternatives. More than 80 percent of the Commonwealth's bank branches participate in the voluntary Basic Banking for Massachusetts program. The basic checking account features a maximum monthly charge of $3. This account allows at least 15 free withdrawals a month, including at least 8 by check, and requires no more than $25 to open an account. The basic savings account requires no more than $10 to open an account, a minimum balance of $10 to avoid a monthly maintenance fee, and pays interest on balances greater than $10. (For more information, visit http://www.mcbc.info/basic_banking.)

Additional Resources

Answers and Solutions for Customers of National Banks
Comptroller of the Currency Administrator of National Banks
http://www.helpwithmybank.gov/faqs/banking.html

Avoiding Costly Banking Mistakes: No Trivial Pursuit
FDIC Consumer News (fall 2006)
http://www.fdic.gov/consumers/consumer/news/cnfall06/costly.html

Five Tips for Protecting Your Checking Account
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/consumerinfo/fivetips_checking.htm
En Español: Cinco consejos: Proteger su cuenta bancaria
http://www.federalreserve.gov/consumerinfo/fivetips_checking_sp.htm

How to File a Consumer Complaint About a Bank
http://www.federalreserveconsumerhelp.gov/?District=13
En Español: Cómo puede un consumidor presentar una queja sobre un banco
http://www.federalreserveconsumerhelp.gov/spanish

Protecting Yourself from Overdraft and Bounced-Check Fees
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/pubs/bounce/default.htm
En Español: Protéjase de los cargos por cheques rebotados y sobregiros
http://www.federalreserve.gov/pubs/bounce/bouncespanish.htm

What You Should Know About Your Checks
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/pubs/check21/shouldknow.htm
En Español: Lo que usted debería saber sobre sus cheques
http://www.federalreserve.gov/pubs/check21/shouldknow_sp.htm

When Is Your Check Not a Check? Electronic Check Conversion
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/pubs/checkconv/default.htm
En Español: ¿Cuándo no es su cheque un cheque? Intercambio electrónico de cheques
http://www.federalreserve.gov/pubs/checkconv/checkconvsp.htm

Compare Checking Account Services
Massachusetts Office of Consumer Affairs and Business Regulation
http://db.state.ma.us/dob/banksmain2.asp

Money Smart — A Financial Education Program
Federal Deposit Insurance Corporation (FDIC)
http://www.fdic.gov/consumers/consumer/moneysmart/

For additional information on financial institutions near you, contact your state's Bankers Association. (See Section 18, Appendix, page 45.)

To file a consumer complaint against a banking institution, contact the Federal Reserve Consumer Help Center at 1-888-851-1920 or your state's Banking Department. To file a complaint with a specific federal or state banking regulatory agency, see Section 18, Appendix, page 45, for contact information.

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Section 3

Budgeting: Creating a Spending Plan and Sticking With It

Here are some tips to help you live within your means and possibly save money in the process:

Know Where Your Money Is Going

The easiest way to build a budget is to track where your money is going now so that you can decide what you can change to meet your goals. Track what you spend for a month by writing it all down.

Take Care of Yourself First

If you have a retirement savings plan available, be sure to contribute at least as much pre-tax income as is matched by your employer. Each time you get a raise, increase the percentage of your contribution for a "no pain" retirement savings increase.

Know Where Your Money Should Go

Based on your after-tax income, use the following percentages as guidelines:

1. **Housing (35%)** — Rent/mortgage, utilities, maintenance, taxes, and insurance
2. **Transportation (15%)** — Car loan, gas, parking, upkeep, and public transportation
3. **Debt Repayment (15%)** — Not your mortgage or car loan, but student loans, credit cards, and other debts
4. **Savings/Emergency (10%)** — No questions asked. Nonnegotiable
5. **Life (25%)** — Everything else: clothing, travel, health care, fun

You can change these percentages, but be sure they add up to 100 percent! You can also borrow from one category to give to another, except from the savings/emergency category.

Make Changes to Work Toward Your Goals

1. Consider whether you might work another job for additional income.
2. Pay off debts starting with your secured debts (e.g., your home, car, etc.) and then the unsecured debts (e.g., credit cards, medical bills, etc.) with the highest interest rate.
3. Don't charge anything on credit that you won't be able to pay off when the bill arrives.
4. Do not accept new credit offers; opt out of new offers through the credit bureaus by calling 1-888-5-OPT-OUT (1-888-567-8688).
5. Avoid making merely required minimum payments on your debts, including on your credit cards.
6. Build a snowball! As you retire each debt, take the money you were applying to that debt and move it to your next target balance.
7. Monitor and protect your credit. Reducing your debt will improve your credit score. Monitor your credit health by checking your credit reports free once each year at http://www.AnnualCreditReport.com.
8. If you need to limit your spending, spend cash only. Withdraw your spending money for the week from your bank account and don't go back for more — when the cash is gone, it's gone!

Don't be shy about telling others that a certain expense (a dinner out, a vacation, etc.) is not in your budget. The peace of mind from knowing you are on the right track with your money is worth it!

And if you lose your job or you experience some other sudden drop in income, you should do the following:

- Act quickly to adjust your spending and saving.
- Reduce your spending: opt for lower-cost services, or contact your creditors to request lower fees or even a temporary forbearance.
- Strengthen your savings and emergency funds — use your severance, unemployment benefits, and other cost savings to build a cash stockpile.
- Review your health insurance options.
- Save your retirement money — don't cash it out; either roll the money over into an IRA or leave it in your employer's plan.

Additional Resources

Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011
Financial Literacy and Education Commission
1-888-MyMoney
http://www.mymoney.gov/sites/default/files/downloads/NationalStrategyBook_12310.pdf

Managing Your Money in Good Times and Bad
FDIC Consumer News (winter 2008–2009)
http://www.fdic.gov/consumers/consumer/news/cnwin0809/win0809_bw.pdf

Get the Facts: SEC's Roadmap to Saving and Investing
U.S. Securities and Exchange Commission (SEC)
http://www.sec.gov/investor/pubs/roadmap.htm

Building Wealth: A Beginner's Guide to Securing Your Financial Future
Federal Reserve Bank of Dallas
http://www.dallasfed.org/ca/wealth/index.cfm

Online Personal Budgeting and Money Management System
http://www.mint.com

Money Saving Tips
State of Connecticut Department of Consumer Protection
http://www.ct.gov/dcp/cwp/view.asp?a=1629&Q=421264&PM=1

Managing Money
University of New Hampshire Cooperative Extension
http://www.extension.unh.edu/Money/Money.htm

Personal Money Management Programs
University of New Hampshire Cooperative Extension School
http://www.extension.unh.edu/money/MMPrograms.htm

Calculators

For Home Budget, General Savings, and College Savings:
http://www.bankrate.com
http://apps.finra.org/Calcs/1/Savings
http://apps.finra.org/Calcs/1/CollegeSavings

Budget Worksheet

There are many free online templates that help you keep track of your income and expenditures. Here are a few:
http://www.consumercredit.com/budget-sheet.htm
http://www.kiplinger.com/tools/budget/
http://www.budgetworksheets.org/

Section 4

Credit Cards: What You Should Know Before You Choose or Use One

Credit cards are convenient and offer many advantages, but they need to be used responsibly or they can lead to debt. Before you use one, there are many factors to consider.

Basic Points About Credit Cards

1. A credit card account, if used wisely, is a great way to establish a credit history. A good credit history will enable you to obtain other credit later, such as an auto loan or a mortgage.

2. Not all credit card offers are the same. Cards carry different interest rates (which may be variable or fixed), fees, and benefits. Shop around for the card that best suits your needs.

3. The pre-approved rate offered on the credit card solicitations you receive in the mail is not guaranteed.

4. Card issuers are required by federal law to clearly disclose specific terms in your card application, your credit card contract, and your monthly statements. Carefully read and make sure you understand all of the terms of any credit card offer before deciding whether to accept the card.

5. When you use your card, pay more than the minimum monthly payment to avoid being charged higher interest. If possible, pay off your entire balance each month to avoid paying any interest.

6. A grace period (the amount of time before interest starts to accrue) is of no use to you if you do not pay off your entire balance each month.

7. Always pay your bill on time. With late payments, you may incur additional fees and a higher interest rate (penalty APR), and that can adversely affect your credit score. If you are mailing your payment, be sure to leave enough time for delivery; the credit card company considers your bill paid on the day it is received, not on the date postmarked on the envelope.

8. If you are struggling to make your monthly payments, stop using your card until your balance is back under control.

9. You are better protected using a credit card than when paying with cash, check, or a debit card. If your card is lost or stolen, your maximum liability is $50. If you see an error or unauthorized charge on your statement, notify the card issuer in writing within 60 days. Call first and then follow up with a letter addressed to the card issuer's dispute address (not the address to which payments are sent). The card issuer should acknowledge your letter and investigate promptly.

10. You must be at least 21 years old to obtain a credit card unless you have a co-signer who will be jointly responsible on the account or unless you can provide financial documentation of an independent means to repay your debt.

11. Merchants who honor credit cards may set a minimum-dollar value for credit card transactions, not to exceed $10.00. For example, if you make a purchase for $9.95, the merchant may require that you use another form of payment (e.g., cash or debit card).

Your Rights as a Credit Card Holder

You have rights when it comes to the resolution of disputes involving goods or services purchased with a credit card if:

- you have made a good faith effort to resolve the dispute with the merchant;
- the dollar amount in question is more than $50; and
- the disputed transaction took place in the state where you live or within 100 miles of your residence.

If these conditions are met, you may assert against the card issuer those claims and defenses that you would normally have against the merchant.

If your credit card is lost or stolen, contact your credit card company and cancel your card immediately. The institution's name and phone number appear on your monthly statement.

Card issuers are required to give you 45 days advance notice of any change in your credit card agreement terms. You have the right to cancel the account before the effective date. If you do close your account, you are still responsible for any balance you may have incurred. The card issuer is not required to give you advance notice, however, if you have a variable rate, if you have a promotional rate that lasts six months or longer, or if you are more than 60 days delinquent on your account.

Understanding Credit Card Interest Rates and Fees

Rates

1. The annual percentage rate **(APR)** is the annualized interest rate that you will owe on your card if you don't pay your balance in full each month. The APR provides the true cost of credit expressed as one number that enables you to compare different credit cards. The APR may be fixed or variable. The **fixed** rate is a predetermined interest rate that does not change (unless an expiration date has been disclosed). Most cards have **variable** interest rates — rates that are tied to an index, such as the prime interest rate, and can go up and down.

2. Interest rates on credit cards are not limited by your state's usury laws, since banks are generally governed by the laws of their home state, not your home state.

3. Card issuers usually charge different APRs for purchases, balance transfers, and cash advances, with cash advances carrying the highest rates.

4. If you carry several different balances on your card (e.g., for transfers, purchases, and cash advances), the card issuer is required to apply your payments, in excess of the minimum required amount, to the balance that carries the highest APR first.

Fees

1. **Annual Fee:** Some card issuers assess a flat fee each year for use of the card. Many reward programs (e.g., frequent flyer miles) are linked to cards with annual fees. If you don't plan to take advantage of credit card rewards, choose a card without an annual fee.

2. **Application Fee:** Do not apply for a card if there is any sort of application fee attached to the process. There are plenty of card issuers that don't charge a fee to determine your eligibility.

3. **Late Fee:** This is a flat fee that the card issuer will charge if you do not make the minimum payment by the required due date. The fee amount must be disclosed to you when you open the account. The late fee, however, cannot exceed the minimum payment due. Your payment cannot be deemed late if it is received before 5:00 p.m. on the due date (or the next business day if the due date falls on a Sunday or holiday). There are no cut-off times for payments made at branches during their business hours.

4. **Over-the-Limit Fee:** Card issuers cannot charge you an over-the-limit fee unless you opt in to allow the card issuer to complete transactions that exceed your credit limit. (If you do not opt in, all transactions that exceed your credit limit will be denied.) If you opt in, the fee cannot exceed the over-the-limit amount.

5. **Inactivity Fee:** Card issuers cannot charge you a fee for not using your credit card to make new purchases, but they can close your account or lower your credit limit.

Additional Resources

Credit, ATM and Debit Cards:
What to Do If They're Lost or Stolen
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre04.shtm

Know Before You Go ... To Choose or Use a Credit Card:
A Guide to Credit Cards and a Glossary of Terms
Federal Reserve Bank of Boston (December 2009)
1-800-409-1333
http://www.bostonfed.org/consumer/knowbeforeyougo/credit-card/index.htm

En Español: Infórmese antes de ir ... elegir o usar una tarjeta de crédito
http://www.bostonfed.org/consumer/knowbeforeyougo/credit-card-spanish/index-spanish.htm

Answers and Solutions for Customers of National Banks
Office of the Comptroller of the Currency (OCC)
http://www.helpwithmybank.gov/faqs/credit_cards.html

Credit Card Secrets
Massachusetts Office of Consumer Affairs and Business Regulation
http://www.mass.gov/ocabr/consumer/banks-banking/education/credit-card-secrets.html

What You Need to Know: New Credit Card Rules
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/creditcard/

Five Tips: Getting the Most from Your Credit Card
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/pubs/creditcardtips/default.htm
En Español: 5 Consejos: Obteniendo el máximo de su tarjeta de crédito
http://www.federalreserve.gov/consumerinfo/fivetips_creditcard_sp.htm

Plastic Fraud: Getting a Handle on Debit and Credit Cards
Federal Reserve Bank of San Francisco
http://www.frbsf.org/publications/consumer/plastic.html

Credit Cards: New Law Protects Consumers from Surprise Fees, Rate Increases and Other Penalties
FDIC Consumer News (summer 2009)
http://www.fdic.gov/consumers/consumer/news/cnsum09/newlaw.html

For problems with a card-issuing institution, contact the Federal Reserve Consumer Help Center at 1-888-851-1920

Section 5

Credit Counseling and Debt Management: Help with Managing Your Finances

Credit counselors are available to consumers throughout New England at little or no cost.

Tips to Consider When Seeking a Counselor's Assistance

1. Credit counseling may include any of the following services: money and credit management education, confidential budget consultations, credit and debt counseling, debt management plans (DMP), bankruptcy, counseling, and education.

2. Credit counseling is a good option if you are faced with a large amount of debt from medical bills, credit card charges, student loans, or other sources. Credit counseling can help you develop a long-term plan to repay your debt.

3. A good agency will educate you about your credit options, give you an overview of the positive and negative consequences of your choices, and help you pick a credit option that works best for you.

4. There are countless credit counseling scams these days. Make sure the credit counselor you select is legitimate. Choose an organization that is nonprofit, is

affiliated with a national organization, and offers a wide range of services. Some state government websites maintain a list of nonprofit reputable counseling agencies that are approved or even funded by the state.

5. When you initially contact the agency, be sure to ask specific questions about the services the organization offers and what it charges for each service. Do not pay high upfront fees or monthly fees for credit counseling. Many agencies offer credit counseling at very low cost or no cost at all.

What to Know If You Are Considering a Debt Management Plan (DMP)

1. Depending on your circumstance, a credit counselor may suggest a DMP to address your financial situation. A DMP is an arrangement that a counseling service makes between you and your creditors. Creditors are not required to agree to a DMP, but many do because it helps them recover the debt owed to them. With a DMP, you pay a monthly amount to the counseling agency, and the counseling agency distributes payments to all of your creditors. Creditors may agree to lower your interest rates or waive fees as part of a DMP.

2. A DMP is not a quick fix: it is a long-term plan designed to improve your credit standing. It is a good option if you are struggling mainly with unsecured debt (e.g., credit card payments or medical bills) or if you are only slightly behind on secured debt (e.g., mortgage payments). A DMP is never a good option if your monthly budget is negative — i.e., you are spending more money each month than you are earning.

3. Be aware that a DMP may affect your credit report in the future. While you may not be deemed late on your credit report if you pay through a DMP, creditors may see a DMP as an indicator of poor credit worthiness for some time in the future.

4. If you have agreed to a DMP, make sure that your creditors are being paid on time with the money you submit to your counseling agency. Late payments will adversely affect your credit rating. Contact your creditors and confirm with them that they have accepted the DMP and are receiving payments from your counseling agency.

Additional Resources

Fiscal Fitness: Choosing a Credit Counselor
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre26.shtm
En Español: Salud Fiscal: Cómo Elegir un Consejero de Crédito
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/scre26.shtm

For People on Debt Management Plans: A Must-Do List
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre38.shtm
En Español: Para las Personas en un Plan de Administración de Deuda: Una Lista de loque Deben Hacer
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/scre38.shtm

Before You File for Personal Bankruptcy: Information About Credit Counseling and Debtor Education
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre41.shtm

Contact one of the following agencies to find a counselor in your area:

U.S. Department of Housing and Urban Development (HUD)
http://search.usa.gov/search?affiliate=housingandurbandevelopment&query=hud+approved+housing+counseling+agencies

The National Foundation for Credit Counseling
2000 M Street, Suite 505
Washington, DC 20036
English: 1-800-388-2227
En Español: 1-800-682-9832
http://www.nfcc.org

American Consumer Credit Counseling
130 Rumford Avenue, Suite 202
Auburndale, MA 02466-1371
1-800-769-3571
http://www.consumercredit.com

American Credit Counseling Service, Inc.
4 Taunton Street, Suite 5
Plainville, MA 02762
1-800-729-0551
http://www.accs.org

Section 6

Credit Reporting: What Your Credit Reports Say About You and Why and How You Should Get Copies

Your credit report contains detailed information about you and your credit history. Prospective creditors as well as employers will obtain these reports from one of the three major consumer reporting agencies, with your permission, to evaluate your creditworthiness. Your credit reports can affect your ability to obtain credit, housing, and employment.

What Information Does Your Credit Report Contain?

1. Who you are, other names you have used, and where you have lived and worked.

2. How much you owe creditors, including how many accounts you have, how long you have had them, and how much of your credit limit is used or unused.

3. Whether you have made payments on time and as agreed.

4. Whether there is negative information about you in public records, such as liens, collection lawsuits, bankruptcies, and judgments.

5. The number of inquiries that have been made about your credit and who made them (those entities that have received your credit reports). This may indicate how often you have applied for credit. Applying for credit too frequently may be viewed by creditors as an indicator of higher credit risk.

6. Your financial reliability.

Information remains on your credit report for 7 years. This includes delinquencies. Bankruptcies will remain on your credit report for 10 years.

Why Should You Review Your Credit Report?

1. Credit reports can be reviewed by many entities, such as lenders, employers, and landlords.

2. It is important to get a copy of your credit report to confirm that the reports are accurate, to correct any information that is inaccurate, and to monitor for fraud or identity theft.

3. Consumers are often relieved to find out that their credit score is better than they thought. Knowing your creditworthiness, as measured by your credit reports and credit score, can help give you peace of mind.

4. Studies show that consumers who read and understand their credit reports do a better job at obtaining credit and responsibly using and maintaining it.

5. Reviewing your report will help you identify and improve weaknesses in your credit history.

6. Your credit score is based on the information in your credit report. Lenders use your credit score to determine whether or not they will lend to you and, if so, at what interest rate.

How Can You Maintain a Good Credit Score?

The following factors affect your credit score:

35% Payment history: Pay at least the minimum balance on time every month.

30% Amount owed on credit accounts in relation to available (unused) credit: Try to keep your balances low on your credit cards and other revolving accounts.

15% Length of credit history: Keep some form of credit, even if you pay off the amount every month.

10% New credit: Do not start many new accounts within a short period. Many new accounts may indicate financial hardship and greater risk.

10% Types of credit: Keep a mix of many kinds of credit. However, keep in mind that applying for credit often, and being rejected for credit, can hurt your credit score significantly.

Use of your overall available credit: Keep your balances low relative to your credit limits.

You are entitled to one free credit report annually from each of the national consumer reporting agencies (Experian, TransUnion, and Equifax). To obtain it, use one of the methods set forth in the Additional Resources below. (You are also entitled to a free copy of your score if you've been turned down for credit based on information in that report, if you are in the military, or if you have been granted credit but not given the best rate.) You can order your free report from all three agencies simultaneously, or from a different agency every four months to stagger the receipt of your credit reports throughout the year.

Additional Resources

To order a free copy of your credit report online or by mail or phone every year:
Online: http://www.AnnualCreditReport.com
Mail: Annual Credit Report Request Service
P.O. Box 105283
Atlanta, GA 30348-5283
Phone: 1-877-322-8228

(Note: Other sources that can furnish your credit report, even those with the word "free" in their names, may directly or indirectly charge you a fee.)

Your Access to Free Credit Reports
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre34.shtm
En Español: Su acceso a informes de crédito gratuitos
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/scre34.shtm

Five Tips for Improving Your Credit Score
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/consumerinfo/files/creditscoretips_2.pdf
En Español: 5 Consejos: De Mejorar su Puntaje de Crédito
http://www.federalreserve.gov/consumerinfo/files/creditscoretips_2.pdf

Credit Reports
Federal Reserve Consumer Help Center
http://www.federalreserveconsumerhelp.gov/index.cfm?nav=9520
(Type "Credit Reports" in the search field.)

Answers and Solutions for Customers of National Banks:
Answers about Credit Reports
Office of the Comptroller of the Currency (OCC)
http://www.helpwithmybank.gov/faqs/credit_report.html

FDIC's Consumer Protection Tool Kit
Federal Deposit Insurance Corporation (FDIC)
http://www.fdic.gov/consumers/ (Type "Credit Reports" in the search field.)

Section 7

Debit Cards: Understanding the Risks Before Swiping Your Card

The debit card is popular with consumers because it is convenient to use and quicker than writing a check, and it is easier to obtain than its cousin, the credit card. You swipe it at the store like a credit card, but unlike when you use a credit card, you don't incur debt, with a bill at the end of each month. Instead, the money is automatically withdrawn from your bank account at the time of the sale.

What to Know Before Using Your Debit Card

1. Many banks offer overdraft protection that will allow you to overdraw your account when making purchases or getting cash with your debit card. To take advantage of this protection, you must "opt in" (agree to overdraft protection). There is usually a charge associated with this feature, interest charged on the dollar amount you are overdrawn, and/or a fee for each transaction that overdraws your account. Overdraft fees can range from $25 to $40 per transaction. If you do not agree to overdraft protection, your financial institution cannot charge you overdraft fees, but any transactions that exceed your bank account balance will be denied. If you are considering overdraft protection, be sure you understand all of the costs that may be associated with this service. (For more on overdraft protection, see Section 15, page 41.)

2. Some merchants such as hotels, gas stations, and car-rental companies will, as a matter of policy, block a certain amount of money in the account that is tied to the debit card to cover the estimated cost of charges. For example, if you use your debit card to buy $20 worth of gasoline, the gas station may without telling you

block $50 to $100 in your account, and you will not have access to those funds until they are unblocked. Such blocks can range from several hours to several days, depending on how quickly the merchant processes your transaction. During the time that your funds are blocked, you could incur overdraft fees if you spend the blocked funds.

3. If you use a credit card to make a purchase, federal regulations provide you with certain protections, and you might not have to pay if the item purchased is not as promised by the merchant. But when you pay with a debit card, the money leaves your account right away, and the bank will not refund your money for defective or undelivered merchandise. It will be up to you to settle any disputes you may have directly with the merchant.

4. Most debit cards require a personal identification number (PIN) as a security measure before you can access funds in your account. If a thief gets hold of your debit card and PIN, he can wipe out your account entirely. (See paragraph 5 for limitations on liability.) If your debit card has a Visa or MasterCard logo on it, the card can also be used like a credit card. No PIN is required to access funds for a credit card purchase: either a signature or an oral authorization (e.g., a telephone order) is accepted.

5. If your debit card is lost or stolen or an unauthorized transaction is posted against your account, you can protect yourself by reporting the situation to your bank or credit union within two days of when you first discovered the loss or unauthorized activity. As long as you do this, your liability will not exceed $50. However, if you wait 60 days, you could lose up to $500 (except in Massachusetts, where your liability is capped at $50 under state law). If you wait even longer to report it, you could lose everything in your account and have no recourse against the bank or credit union. You would also be responsible for all associated bounced-check fees. The timing of the discovery of an unauthorized debit card transaction is usually based on when you were likely to have received your bank statement. Be sure to look at your statements when you receive them so that you can detect any unauthorized transactions. Otherwise, the issuer of the card may not have to reimburse you.

How to Protect Yourself When You Use a Debit Card

1. Vigilantly keep track of your account balance! If you don't overdraw your account, you will avoid expensive overdraft fees or interest associated with overdraft protection.

2. Be careful about using your debit card to make purchases on the Internet. If the goods you purchase are never delivered or not delivered as promised (e.g., broken or a different product), your money is gone and you may have little chance of getting it back. By using your debit card for online purchases, you also increase the chances that a thief will get access to your bank account.

3. Be aware of blocks on funds in your account. When you use your debit card to pay for gas, hotel rooms, or rental cars, ask the merchant about the merchant's policy on blocked funds.

4. Keep your PIN secure. Don't create a PIN that is easy to guess, and don't share it with anyone.

5. If your debit card is lost or stolen, contact your bank or credit union immediately.

6. Most important: review your monthly statement as soon as you receive it for any inaccuracies! And if you do your banking online, check your account at least every three or four days; daily is even better. Report any errors or unauthorized transactions to your bank immediately.

Additional Resources

What You Need to Know: New Overdraft Rules for Debit and ATM cards
Board of Governors of the Federal Reserve System
http://www.mymoney.gov (Type "New Overdraft Rules for Debit and ATM" in the search field.)

Credit and Debit Card Blocking
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre11.shtm

Credit, ATM and Debit Cards: What to Do If They're Lost or Stolen
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre04.shtm

Section 8

Debt Collection: Your Legal Rights and Protections

Federal law and the laws of many states provide strong consumer protections against harassment or abuse from debt collectors. These legal safeguards include the following:

1. Within five days after a debt collector first contacts you, the collector must write you a letter offering to prove, or verify, that you owe the debt. If you respond in writing by stating that you want proof that the debt is yours, the collector may not contact you until the collector provides that proof.

2. At any time, you can write a letter to a debt collector instructing the collector not to contact you, and the collector must stop all contact. (The debt does not go away, however, and your account may be returned to the creditor for further action.)

3. If the collector knows that you cannot accept collection calls at your place of work, the collector is prohibited from contacting you there.

4. A debt collector cannot reveal details of your debt to anyone other than you (or your spouse) without your authorization.

5. Debt collectors cannot call you before 8:00 a.m. or after 9:00 p.m. They cannot use abusive language; nor can they threaten to sue you unless they actually have that right by law. They cannot pretend to be lawyers or threaten to harm you or send you to jail. If you think a debt collector has violated your rights or the law, report the collector to your state's Attorney General's Office or state financial regulator. In most New England states, debt collectors are licensed and regulated

at the state level, so call your state's Attorney General's Office and inquire about the appropriate regulator. Under federal law and some states' laws, you also have private legal rights against a debt collector who acts in an illegal manner, and if you win in a lawsuit, the court will require that the collector pay your lawyer's fees.

Additional Resources

Debt Collection FAQs: A Guide for Consumers
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.shtm

Contact the following agencies for questions or problems with debt collectors:

Federal Trade Commission
1-877-FTC-HELP (1-877-382-4357)
http://www.ftc.gov

Maine Bureau of Consumer Credit Protection
1-800-332-8529 (in Maine only)
http://www.Credit.Maine.gov

Massachusetts Division of Banks
1-800-495-BANK (in Massachusetts only)
1-617-956-1500
http://www.mass.gov/dob

To obtain contact information for your state's Attorney General's Office or financial regulatory authority, see Section 18, Appendix, page 45.

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Section 9

Foreclosure: How to Avoid It and Where to Seek Help If You Are Facing It

The foreclosure crisis continues to threaten many people across New England. Most foreclosures occur after one of the following big changes in the borrower's monthly budget:

- Your income is reduced, possibly because of a job loss, overtime pay reduction, or a job change.
- You experience a major life event such as divorce, marital separation, sickness, or death in the family.
- You find yourself using credit cards to pay your monthly expenses.
- You have new major expenses, such as home repairs or college tuition.
- Your mortgage interest rate is about to reset (adjust upward).

Tips to Help You Avoid Foreclosure

1. If you foresee that you will have trouble making your mortgage payments, look for help before you get into trouble! Contact your lender as soon as possible. Many people believe they cannot reach out for help until they are already late with their payments. On the contrary, it is generally easier to reach an arrangement with your lender when you are in good standing.

2. If you foresee that you will have trouble making your mortgage payments and have tried unsuccessfully to make an arrangement with your lender, seek guidance from a mortgage counselor. The U.S. Department of Housing and Urban Development (HUD) maintains a list of HUD-approved mortgage counselors in your area who can help you understand your options if you experience a change in your monthly budget that threatens your ability to meet your mortgage payments.

3. Avoid loan modification consultants who promise to get you better loan terms only after you pay them a sizable fee. You should not have to pay a significant amount of money for mortgage counseling services. Many nonprofit organizations or government institutions offer free services. These organizations usually have no income limits. (See Additional Resources below.)

4. Not all mortgage counseling services are the same. If you are considering a mortgage counseling service, make sure you do your research: find out how long the organization has been in business and ask for references from long-term clients.

5. Stay involved in your foreclosure prevention process: communicate with your counselor; answer your lender's phone calls and written notifications; and if the lender requests documents, provide them and then confirm that the lender has received them.

6. Understand the counselor's process for helping you save your home. If the counselor makes you feel that your help in solving your mortgage problem is not required, consider using another counseling service.

7. Mortgage terms can be complicated and confusing. If there is something you do not understand, be sure to ask. A good counselor should be able to clearly explain your situation.

8. Be patient. Obtaining a mortgage modification or forbearance may take a long time. Do not use more than one agency at a time. That will merely duplicate efforts and confuse your lender.

9. Never agree to a loan modification with a lender over the phone. Request the proposed modification in writing. Once you receive the proposed modification in writing, have an attorney or your housing counselor review the final agreement before you sign it.

Additional Resources

Five Tips for Avoiding Foreclosure Scams
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/consumerinfo/files/foreclosurescamtips.pdf

Know Before You Go...To Get a Mortgage: A Guide to Mortgage Products and a Glossary of Terms
Federal Reserve Bank of Boston
1-800-409-1333
http://www.bostonfed.org/consumer/knowbeforeyougo/mortgage/mortgage.pdf

You May Be Paying Too Much For Your Mortgage
Federal Reserve Bank of Boston
1-800-409-1333
http://www.bostonfed.org/consumer/mortgage/index.htm
En Español: Tal vez usted paga demasiado por su hipoteca
http://www.bostonfed.org/consumer/mortgage/espanol.htm

Federal Reserve Bank of Boston: Foreclosure Resource Center
http://www.bostonfed.org/commdev/foreclosures/index.htm

Contact the following agencies for foreclosure counseling services:

U.S. Department of Housing and Urban Development (HUD)
http://www.hud.gov

Maine State Bureau of Consumer Credit Protection
Foreclosure Prevention Hotline
1-888-NO-4-CLOZ (1-888-664-2569) (Maine Consumers)

Massachusetts Office of Consumer Affairs and Business Regulation
http://www.mass.gov/ocabr/

Massachusetts Office of the Attorney General
Pro Bono Foreclosure Assistance Hotline
1-800-342-5297
1-617-603-1700

Connecticut Department of Banking
Mortgage Foreclosure Assistance Hotline
1-877-472-8313
http://www.ct.gov/dob

New Hampshire Banking Department
Homeowner Hotline
1-800-437-5991
http://www.homehelpnh.org

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Section 10

High-Cost Consumer Loans: Are They Right for You?

There are several types of high-cost consumer loans. These loans can be helpful to consumers who don't have the money to pay an unexpected bill such as a car repair or a medical bill. They are expensive, however, and can be risky.

Types of Common High-Cost Loans

Payday Loan: Also known as a cash advance, check advance, or post-dated check loan, a payday loan is usually a short-term loan for a small dollar amount. You borrow money with the expectation that you will pay it back when you get your paycheck. For example, you might agree to pay the lender $115 on payday if you can borrow $100 today.

Tax Refund Anticipation Loan (RAL): This is another short-term loan that provides you with the amount of your tax refund in advance, minus a fee. You can avoid paying the fee for an RAL if you file your tax returns electronically and have the refund deposited directly into your savings or checking account. You may have to wait a few days until you have access to the funds in your account.

Title Loan: This loan is secured by the title to your car. If you fail to pay back your loan, the lender will repossess your car.

Rent-to-Own Agreement: In a rent-to-own agreement, you can acquire personal goods (appliances, furniture, and other household items) by entering into a self-renewing weekly or monthly lease for the rented merchandise. The lease provides the option to purchase the goods, either by continuing to pay rent for a specified period of time, or by early payment of some specified portion of the remaining lease payments. Possible advantages include no credit check and no long-term obligation, since the contract can be terminated any time by returning the merchandise. While this type of agreement enables you to obtain items before you can afford them, you will end up paying more than the original purchase price. Rent-to-own is an expensive process.

Things to Consider Before You Accept a High-Cost Loan

1. Call your state banking department or the secretary of state's office to make sure the loan company is licensed.

2. Before you sign any documents, check the Internet for information about the company or its owners. Call your state's Attorney General's Office or the Better Business Bureau to determine if any unresolved complaints have been filed against the company you are considering using. (See Section 18, Appendix, page 45.)

3. Make sure you understand the terms of the loan agreement. Read the contract carefully and ask questions before you sign.

4. Ask yourself, "Will I be able to repay this loan when it comes due?" Some people take on new loans to pay for their old loans. This is unwise, as it simply prolongs the life of the debt and increases the overall amount that has to be paid back.

5. If you have a question or a problem with a lender, licensed or not, call your state banking department. (See Section 18, Appendix, page 45.)

Alternatives to High-Cost Loans

Although in some instances high-cost loans may be easier to obtain than lower-priced conventional loans, many people who use high-cost loans find themselves paying back much more than they borrowed, losing the title to their cars, or paying ongoing fees and interest. Before getting caught in a cycle that is hard to break, shop around and compare the offers from different lenders. You may find that you are eligible for a more affordable loan. Consider seeking assistance from a credit counselor before you take on a high-cost loan. A counselor may be able to help you find alternatives to high-cost products.

Additional Resources

Contact your state's banking department or Attorney General's Office.
(See Section 18, Appendix, page 45.)

Section 11

Home Equity Lines of Credit: Ten Things to Know Before Putting Your Home on the Line

Taking out a home equity line of credit (HELOC) is a great way to access the equity in your home to finance home improvements, consolidate debt, or pay other expenses. But HELOCs can be risky, so keep the following points in mind before you sign up for one of these loans:

1. A HELOC is secured by your home. If you default on your loan, you could lose your home in a foreclosure.

2. There are costs often associated with establishing a HELOC. Lenders are required to disclose those costs to you. Make sure you learn what those costs are before you commit to the loan. Unlike with traditional mortgages, the annual percentage rate (APR) disclosure for this type of loan is generally based only on the periodic rate and does not include closing costs or other charges.

3. The interest you pay on a HELOC may be tax deductible. You should consult with a tax expert about your individual circumstances.

4. A HELOC works differently from other types of mortgage loans. You are allowed to borrow funds up to your credit limit at any time during a given time frame, which is called the "draw period." If you pay back some of what you borrow during the draw period, the money automatically becomes available for you to use again. You don't have to spend all the money either. You can withdraw money just as it's needed. In most cases, credit lines have a variable interest rate that fluctuates over the life of the line. Certain banks are now offering a fixed-rate option on some lines of credit.

5. Some lenders offer discounted interest rates ("teaser rates") for some introductory period of the HELOC's term. Make sure you know if the rate offered is a teaser rate, and if so, what happens after the discounted interest period; your interest rate could go up significantly. Make sure you know what the maximum rate you may have to pay is before committing yourself.

6. Different lenders offer different repayment terms. Some require interest-only payments with the outstanding balance due at the time of maturity, while others require principal and interest payments each month. Make sure you know what the repayment terms are or you could end up with a big, and unpleasant, surprise.

7. Keep the previous two items in mind and compare the terms offered by more than one lender.

8. Be careful how you use your HELOC. Many people use this type of credit for tuition expenses, home improvements, buying a car, or debt consolidation. Think about the "lifetime" of what you are paying for with a HELOC. If you use it to buy a car, you should repay the amount in the same amount of time you would be required to if you were to get a car loan. If you use a HELOC to pay off your credit cards, get rid of the credit cards or you will run the risk of using them and finding yourself with both debts. Repay your debt amount over no more than three years, if possible.

9. Under certain circumstances (e.g., declining home value, loss of job, or late payment), your lender can reduce the amount available to you or even suspend, or "freeze," your HELOC.

10. Make sure you read and understand the loan documents, including the fine print. The Truth-in-Lending Act (Regulation Z) requires lenders to disclose all the terms and costs of every loan plan. Before you sign, make certain that the terms are the same ones previously disclosed to you.

11. Beware of home equity loan scams. There are many unscrupulous lenders who prey upon certain groups of homeowners such as the elderly, minorities, or those with low income or poor credit. Visit the Federal Trade Commission's website for details on some of these practices.

Additional Resources

What You Should Know About Home Equity Lines of Credit
Board of Governors of the Federal Reserve System
1-202-452-3245
http://www.federalreserve.gov/pubs/equity/equity_english.htm
En Español: Lo que usted debería saber sobre las líneas de crédito con garantía hipotecaria
http://www.federalreserve.gov/pubs/equity/equity_spanish.htm

Answers about Home Equity Lines of Credit and Home Equity Loans
Office of the Comptroller of the Currency (OCC)
1-800-613-6743
http://www.helpwithmybank.gov/faqs/home_equity_products.html

Facts for Consumers: Home Equity Credit Lines
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/homes/rea02.shtm

Facts for Consumers: Home Equity Loans: Borrowers Beware!
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/homes/rea11.shtm12

Section 12

Identity Theft: Don't Become a Victim

Is your identity safe from thieves? How do you protect yourself? There are basic steps you can take to prevent criminals from stealing your identity and save yourself from the painstaking process of getting your identity back and correcting your credit history.

What Is Identity Theft?

Identity theft happens when someone steals your personal identifying information, such as your name, Social Security number, credit card number, or driver's license, to commit fraud or other crimes. The effects of identity theft can be very serious and long-lasting. For instance, it can take several years to repair the damage done to your credit rating. Common methods of committing identity theft include the following:

ATM Scanners: Thieves attach fake card slots to read your ATM data. If anything at the ATM seems amiss, contact your bank immediately.

Dumpster Diving: Dumpster divers go through your trash cans. Be sure to shred important documents.

Mail Theft: Your mail contains a lot of important information about you. Be sure to collect your mail regularly. If you plan to be away for an extended period of time, consider having the mail held at the post office until you return.

Wallet Theft: Pick-pockets can be anywhere. Guard your wallet or purse carefully and keep as little as possible in it.

Phishing: Phishers use email solicitations to trick consumers into surrendering private information. Do not respond to unsolicited emails.

Pharming: Pharmers install a code on your PC or server to misdirect users to fraudulent websites without their knowledge or consent. Do not divulge personal or financial information on the web unless you are absolutely sure that you are on a legitimate site.

Vishing: Vishers use telephone calls to trick people into divulging personal and financial information. Never give out information to an unknown caller.

Tips to Help You Protect Your Identity

1. Keep all important documents such as birth certificates, passports, Social Security number, and credit card statements in a safe and secure place.

2. Protect your Social Security number. Don't carry it with you. Don't use it as your driver's license number.

3. Never give your Social Security number over the phone unless it is absolutely necessary and you know the identity of the party on the other end. Remember that your banks, credit card companies, hospitals, and accountants already have your Social Security number.

4. Invest in a shredder. Shred all documents that contain personal or financial information instead of throwing them into the trash or recycling bin.

5. Never share your passwords or personal identification numbers (PINs) with anyone. Choose complex passwords and PINs that are not easy to guess (as your pet's name or your birth date would be) for all your devices (e.g., computer, cell phone, smart phone, etc.), and make sure they are always secure. Memorize your passwords and PINs, if possible.

6. Carry only the credit cards you plan to use. Keep the others at home in a safe place.

7. Destroy expired credit cards and close any accounts that you don't use. Keep a photocopy of the front and back of all of your cards in a safe place so that if you lose your wallet or purse, you can call all of the card issuers and close your accounts quickly.

8. Do not put your credit card number, telephone number, driver's license number, or Social Security number on your checks. If possible, use direct deposit for any income.

9. Take note of your credit card billing cycles and bank statement mailings. Contact your bank immediately if a statement does not arrive on time.

10. Review your bank account and credit card statements at least once every month for any inconsistencies and unfamiliar activity.

11. Order and review your credit report every year. You are entitled to a free copy of your report annually from each of the three national consumer reporting agencies (Experian, TransUnion, and Equifax). Stagger your orders so that you receive a report three times during the year at no cost to you. For example, order your Experian report in January, your TransUnion report in May, and your Equifax report in September. (See Section 6, Credit Reporting, page 17, and Section 18, Appendix, page 45.)

12. Contact the consumer reporting agencies in writing to correct all mistakes immediately. Keep a copy of your correspondence.

13. Protect the information on your computer. Update your anti-virus software automatically and make sure that it does not expire.

14. Always LOG OUT from your computer when you complete a transaction. Do not use a public computer for personal financial transactions.

15. Do not download files from unknown sources or click on a hyperlink from people you do not know.

16. Remember that once you post information online, you cannot take it back.

What to Do If You Think Your Identity Has Been Stolen

1. Close the accounts that you believe have been breached, tampered with, or fraudulently opened. If only your ATM or credit card account number has been compromised, ask your financial institution to issue you a new card with a new number and cancel the old card number.

2. Immediately file a police report. You may also file a report with the FBI, U.S. Secret Service, your state's Attorney General's Office, the Federal Trade Commission, and the U.S. Postal Inspection Service. (See Section 18, Appendix, page 45.)

3. Write to all of the contacts you speak to on the phone and keep a copy of the correspondence. Record the names of the people you speak with and follow up with them.

4. Place a fraud alert or file freeze on your credit reports. A freeze prevents someone else from opening an account using your information, because most businesses will not open accounts without checking your credit history first, and if your account is frozen, the credit reporting agency cannot release your credit history without your authorization.

5. Call the Federal Trade Commission's identity theft hotline: 1-877-IDTHEFT.

Please note that you are entitled to a free credit report at any time if you are a victim of identity theft, have been denied credit, receive welfare benefits, or are unemployed. If you discover that your credit report contains erroneous or disputed information that cannot be verified, the credit bureau must delete it.

Additional Resources

Identity Theft Booklet
Federal Reserve Bank of Boston
1-800-409-1333
http://www.bostonfed.org/consumer/identity/idtheft.pdf

Federal Trade Commission
Identity Theft Helpline: 1-877-ID-THEFT (1-877-438-4338)
http://www.ftc.gov/bcp/edu/microsites/idtheft/

U.S. Department of Justice
Fraud Section
http://www.justice.gov/criminal/fraud

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Section 13

Investment Advisors and Financial Planners: How to Choose Wisely

It's never too late or too early to create a financial plan. People from all walks and all stages of life benefit from having a financial plan, no matter what their monthly income amount may be. With a financial plan, you are more likely to proactively manage your money and meet your goals (e.g., pay your bills on time, save for your children's college expenses, or recover from a financial setback) with less worry and stress.

Money matters can be complicated and overwhelming. Sometimes you may want help making smart decisions about your money. One of the most important decisions you can make to protect your financial well-being is choosing a financial advisor you can trust.

Finding a trustworthy advisor requires some time and effort, but the time you spend choosing wisely is worth it. You will feel more confident that the services you receive are going to help you be financially healthy.

A Three-Step Guide to Choosing a Trusted Advisor

To protect yourself, it is important to interview prospective advisors and ask certain key questions. This three-step guide will help you know what to ask and what to look for when choosing an advisor.

Step One: Interview Two or More Advisors and Ask Seven Smart Questions

What services do you offer?
Compare the services offered with what you are looking for. You may want only one service, several, or all.

- Cash flow/budgeting
- Debt reduction
- Saving plan
- Insurance/risk management
- Investment guidance/management
- College planning
- Retirement planning
- Tax planning
- Estate planning

What are the qualifications and credentials of the people I would be working with, and how much experience do they have?
Ideally, the advisor will have the following to offer:

- At least one of the following qualifications/credentials:
  - CFP® — Certified Financial Planner™ Professional
  - CPA — Certified Public Accountant
  - PFS — Personal Financial Specialist
  - CHFC — Chartered Financial Consultant
  - CFA — Chartered Financial Analyst
- Three or more years' experience
- A college degree and ongoing continuing education

Which standard of care do you follow when serving clients: fiduciary or suitability?
Professionals who follow a "fiduciary standard of care" are legally obligated to put your best interests first and to do what is best for you, even if it's not what is best for their firm or themselves.

Professionals who follow a "suitability standard of care" are obligated to do what is suitable (but not necessarily the best thing) for your situation. Advisors who are bound by a suitability standard of care have a duty to act in the best interests of their firm, first and foremost.

Will anyone other than me benefit from the recommendations you make?
This is another way of asking about potential conflicts of interest the advisor may have.

What is the typical cost for your services, and how is payment made?
It is important to know in advance how much the advisor will be paid and how that payment is made.

Ask how the advisor is compensated:

Commission only — the advisor is paid by you only when you buy a financial product, such as a mutual fund or annuity.

Fee and commission — the advisor is paid by you when you buy a financial product or receive financial advice.

Fee only — the advisor is paid an hourly or project fee for a service, or a percentage of the assets the advisor manages for you.

For each service provided, ask how much the service costs in dollar amounts paid in fees and/or commissions.

Have you ever been disciplined for any unlawful or unethical actions?
Advisors who have been disciplined for such actions must disclose this to you. You can also check this on your own (see Step Two, next page).

What is your approach to investment management, and who is your custodian?
These questions are important if you plan to hire an advisor to invest your money. The custodian is the firm that actually holds the money you invest. The advisor is legally required to hold assets at a separate qualified custodian.

Step Two: Check the Advisors' Disciplinary Records

Contact the firms below and inquire about each advisor you are considering:
Financial Industry Regulatory Authority
1-800-289-9999
http://www.finra.org

Securities and Exchange Commission
1-800-732-0330
http://www.sec.gov

North American Securities Administrators Association
1-202-737-0900
http://www.nasaa.org

National Association of Insurance Commissioners
1-816-783-8500
http://www.naic.org

Certified Financial Planner Board of Standards, Inc.
1-800-487-1497
http://www.CFP.net/search

Step Three: Request and Review the Following from Each Advisor

- ADV Brochure (the form used by investment advisors to register with both the Securities and Exchange Commission and state securities authorities)
- Written service agreement
- Client and professional references

Congratulations! If you've followed these three steps, you are well on your way to finding and working with an advisor you can trust to help you achieve your financial goals.

Once you hire an advisor, continue to protect your own financial well-being by reading all the account statements and information sent to you by the advisor; asking questions so that you fully understand what you are doing with your finances and why; and meeting with your advisor at least once a year — or more often if your goals and financial situation change.

Additional Resources

To find advisors to interview in your area:

Financial Planning Association
http://www.fpanet.org

National Association of Personal Financial Advisors
http://www.napfa.org

Veritat
http://www.veritat.com

Section 14

Mortgages: Regular Mortgages; Avoiding Scams; Reverse Mortgages

For most people, buying a home involves taking out a mortgage. A mortgage is a loan designed specifically for purchasing a home. The bank or mortgage lender loans the borrower the money to purchase the home, and the borrower pays back the money—with interest—over an agreed-upon amount of time.

Regular Mortgages

Before you get a loan to buy your dream house, consider the following:

1. Mortgage lenders are not required to give you the lowest mortgage rate available. Prior to choosing a product, it is important to comparison-shop and understand the loan terms and associated benefits and risks.

2. Ask the lender if the interest rate on your loan will be fixed or variable. If the interest rate is fixed, make sure it is fixed for the life of the loan. Some lenders advertise products that appear to carry substantially lower interest rates than others. These rates, however, may be introductory rates that will adjust to higher rates (often variable) at some point during the loan term. If the rate is variable, ask when it will change and how high or low it can go. With many types of variable-rate mortgages, your monthly payment could go up a lot from one month to the next.

3. With some of today's nontraditional mortgages, even if you continue to make the required monthly payments, the principal balance on your loan could go up. If you have a conventional mortgage (a 15- or 30-year fixed-rate product), your principal balance will go down every month because you are required to pay interest and principal each month. With some of the nontraditional products, however, such as option ARMs (a type of adjustable-rate mortgage) and interest-onlys, your balance could go up because you are not paying both interest and principal. Any unpaid interest is added to your principal balance, and as a result, your loan balance increases and could even exceed your original loan amount.

4. Federal law requires the mortgage lender to provide you with specific disclosures during the loan application process, such as the Good Faith Estimate (GFE) and the Truth-in-Lending disclosures that contain the loan terms. Review these documents carefully, and seek advice if you don't understand all of the terms and conditions. Don't be embarrassed to ask; the disclosures can be confusing. The lender should provide you with enough information to make an informed decision. Make sure that the lender has completed the disclosure terms and that you understand the terms of your loan before you sign any documents. Don't sign any blank documents!

5. Don't get a mortgage with the idea that you can always refinance later to get a better rate. It isn't true that you can always refinance! Many people are facing foreclosure now because they anticipated refinancing at a better rate in the future

and were subsequently unable to do so because housing values went down and the balance they owe now exceeds the market value of their homes. So when you are shopping for a mortgage, make sure that the terms are affordable to you now and throughout the full term of the loan.

6. Just because a lender is willing to lend you the money for your dream house, that doesn't mean that you can afford it! While the practice is less prevalent today, some lenders offer a variety of products that can make it easy for you to buy a house that would otherwise be unaffordable. Before you enter into a mortgage, be sure to understand the risks associated with that loan. Before you visit a lender, do your homework and evaluate your financial circumstances to determine what you can and cannot afford. Lenders calculate how much you can afford based on the monthly payment of principal, interest, taxes, and insurance, as well as other monthly obligations, and they do so based on your pre-tax income. They do not use the amount of your take-home pay after deductions for taxes and other items. They also do not take into account such items as the cost of electricity and heat and other utilities, so keep these things in mind as you consider how much you can actually afford. If you need help assessing what you can afford, visit a HUD-approved housing counselor.

Mortgage Modification and Foreclosure Avoidance Scams

Always proceed with caution when someone offers to help you modify your mortgage or avoid foreclosure. You are not obligated to hire a third party to work with your lender, but if you decide to use a third party, that party should make the process easier for you, not harder and more expensive. Consider the following:

1. **Contact your lender or mortgage servicer first.** Speak with someone in the loss mitigation department for mortgage modification options and other alternatives to foreclosure. If you are unable to reach someone, seek help from a qualified and approved credit counselor.

2. **Make all mortgage payments directly to your lender or to the mortgage servicer.** Do not trust anyone to make mortgage payments for you, and do not stop making your payments. Avoid those who call themselves "mortgage intermediaries" or some similar term; they are probably scam artists.

3. **Avoid paying up-front fees.** While some legitimate housing counselors will charge small fees for their services, do not pay fees to anyone before receiving any services. Check with the U.S. Department of Housing and Urban Development (HUD) to make sure you are dealing with a legitimate organization. You can also contact your state's Attorney General's Office.

4. **Know what you are signing.** Read and understand every document you sign. Do not rely on an oral explanation of a document you are signing — make sure that you read and understand what the document actually says. Otherwise, a document may obligate you to terms you don't want or may even convey ownership of your home to someone else. Never sign documents with blank spaces that can

be filled in later by someone else. Never sign a document that contains errors or false statements, even if someone promises to correct them. If a document is too complex to understand, always seek advice from a lawyer or a legitimate financial counselor before proceeding.

5. **Do not sign over your deed without consulting a lawyer whom you select.** Foreclosure scams often involve transfer of ownership of your home to a con artist or another third party. Never agree to sign such a contract without getting the advice of your own lawyer, financial advisor, credit counselor, or other independent person whom you know you can trust. By signing over your deed, you lose the rights to your home and any equity built up in the home — and you are still obligated to pay the mortgage.

6. **Get promises in writing.** Oral promises and agreements relating to your home are not legally binding. Protect your rights with a written document or contract signed by the person making the promise. Keep copies of all contracts that you sign. Again, never sign anything you don't understand.

7. **Report suspicious activity to relevant federal agencies, such as the Federal Trade Commission, and to your state and local consumer protection agencies.** Reporting con artists and suspicious schemes helps prevent others from becoming victims.

Reverse Mortgages

When you think of mortgages, you probably think of people borrowing money to buy a house and then making principal and interest payments to pay off what they owe. Over time, their home equity — or the difference between their property value and their shrinking mortgage — generally is expected to increase. Reverse mortgages don't work this way.

As the name implies, reverse mortgages turn that scenario upside down. Reverse mortgages are typically used by people who already own their homes free and clear of a mortgage (or who have a very small mortgage) and who want to turn their home equity into spending money. This is accomplished by taking out a loan secured by their home. Reverse mortgages are very complicated and much more expensive than conventional loans due to the loan's rising debt structure, compounding interest (as compared with the simple interest charged on a traditional mortgage), and the prevalence of significant servicing and lender insurance charges.

Pros and Cons

Faced with market-damaged retirement accounts and low savings rates, increasing life expectancy, and high health care expenses, many cash-strapped retirees are turning to reverse mortgages to obtain cash for day-to-day living. While recent federal rules make these specialty loans more flexible, be sure you understand the pros and cons of reverse mortgages before signing on.

1. Reverse mortgages are available only to homeowners who:

- are 62 and older (this restriction applies to everyone on the deed);
- use the home as their primary residence; and
- have either no mortgage or a very small mortgage that can be repaid from the closing.

2. Common fees for reverse mortgages are of two types: (1) large up-front or transaction fees often involving many thousands of dollars; and (2) regular, periodic, and increasing charges. Interest rates are adjustable and can change monthly. Costs for reverse mortgages include origination fees, mortgage premium insurance, closing costs, monthly service fees, and monthly mortgage insurance costs that grow as the loan principal increases.

3. Reverse mortgages provide a nontaxable source of funds that can be received using several different payment options: an up-front lump-sum payment; a line of credit; fixed monthly payments; or a combination of monthly payments and a line of credit.

4. Lender insurance (funded by an accrual that is integrated into the loan costs) protects the borrower from future loan balances that exceed the value of the property. However, the borrower needs to be aware that there may be little or no equity left, and in certain scenarios, there may be insufficient income from the loan to cope with unexpected and/or increased living and housing costs (e.g., taxes, insurance, deferred home maintenance, healthcare costs, inflation) encountered in future years.

5. Over time, the borrower's equity steadily shrinks because reverse mortgages require no payments at all. Rather, interest accrues and is repaid when the borrower eventually sells the home, moves out, or dies. During the term of the loan, borrowers are required to pay their property taxes and homeowners' insurance, and to keep up with repairs and maintenance of the home.

6. The amount you can borrow depends upon your age, the value of your home, the amount of equity available, the amount of your total existing debt, and interest rates — the higher the interest rate and the higher your existing mortgage and other debt levels, the less you can borrow. Under the American Recovery and Reinvestment Act (ARRA), the national Federal Housing Administration (FHA) loan limit for the Home Equity Conversion Mortgage (HECM) was increased from $417,000 to $625,500. That increased limit was intended to last only through 2009. Two continuing resolutions from Congress extended it through the end of 2011, and the Federal Housing Finance Agency (FHFA) has announced that levels will remain unchanged in 2012. Loan origination fees are limited to only 2 percent of the home's value for homes worth up to $200,000 (with an additional 1 percent of the value above $200,000), for a maximum of $6,000. There is also a ceiling on the repayment amount — it can never exceed the value of your home.

7. Because this is a complex financial commitment, and because seniors need to understand the risks and benefits, all reverse mortgage applicants must receive pre-loan counseling from an independent agency approved by HUD. In Massachusetts, the agency must also be acknowledged by the Executive Office of Elder Affairs. (For a list of approved reverse mortgage counselors in Massachusetts, visit http://www.mass.gov/elders.)

Issues to Consider

Reverse mortgages are complicated. Be sure to consider the following before making the decision about whether one is right for you:

1. Carefully assess your needs. Before assuming you need a reverse mortgage, crunch the numbers. Factor in your expected expenses and all of your sources of income, including an estimate of Social Security benefits.

2. Weigh your options. There are other ways to address a cash crunch. If you're not sure if your money will last as long as you do, a guaranteed income annuity may squeeze more income out of your savings. Or you may be better off using a home equity loan or selling your home and renting another one.

3. Seek all possible alternative resources and benefits for which you are eligible, especially low-cost/no-cost alternatives (fuel assistance, prescription-cost assistance, utility discounts, elder property tax relief, home-repair grants, low-cost deferred loans, etc.).

4. Consider your time horizon. Avoid reverse mortgages if you're not sure how long you'll stay in your home. Since almost all reverse mortgages can run as long as the borrowers are alive, it is imperative for borrowers to carefully consider the long-term potential loan costs and depletion of equity, and to weigh these factors against estate planning, long-term health concerns, and likely needed housing alternatives (such as assisted living or nursing home care) late in life. Origination fees are high and usually well above those for a conventional loan. You should feel confident that you will live in the home long enough to justify the expense of the reverse mortgage origination.

5. Shop around. To make comparisons easier, reverse mortgage lenders are required to provide you with a Total Annual Loan Cost (TALC) disclosure. The TALC is calculated over several time periods, and the results underscore the importance of using reverse mortgages for long-term needs only. And remember: while most origination costs can be added to your loan balance, that's money you and your heirs will never see again.

6. Avoid aggressive sales pitches. Be wary of salespeople who suggest reverse mortgages to fund investments, annuities, long-term care or other types of insurance, or home repairs. Also beware of any advice to transfer the title to the property out of your or your spouse's name to qualify for the loan, and don't use an "estate planning service" or any other service that charges a fee for a referral to a reverse mortgage lender.

7. It is important to involve family members and trusted advisors when considering reverse mortgage products. Also, due to the very complicated nature of reverse mortgages, the borrower should utilize independent, reverse mortgage–knowledgeable legal representation at the loan closing.

Additional Resources

Mortgage Payments Sending You Reeling? Here's What to Do
Federal Trade Commission (FTC)
http://www.ftc.gov/bcp/edu/pubs/consumer/homes/rea04.shtm

Five Tips for Avoiding Foreclosure Scams
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/pubs/foreclosurescamtips/default.htm

To find a housing counselor in your area:

U.S. Department of Housing and Urban Development (HUD)
1-800-569-4287 or 1-877-483-1515
http://www.hud.gov
(Type "HUD Approved Housing Counselors" in the search field.)

NeighborWorks America
http://www.nw.org
(Click on the "For Consumers" button.)

HOPE NOW
http://www.hopenow.com

Mortgage Modification Resources

The U.S. government has developed a major loan modification and refinancing program to help homeowners find affordable loans and save their homes. Go to this website for information on these federal mortgage modification and refinancing programs:
http://www.makinghomeaffordable.gov

Reverse Mortgage Resources

Reverse Mortgages: Are They for You?
Office of the Comptroller of the Currency (OCC) (September 2009)
http://occ.gov/ftp/advisory/2009-2.pdf

Reverse Mortgages: What Consumers and Lenders Should Know
Federal Deposit Insurance Corporation (FDIC) (Summer 2009)
http://www.fdic.gov/regulations/examinations/supervisory/insights/siwin08/reverse_mortgages.html

Top Ten Things to Know If You're Interested in a Reverse Mortgage
U.S. Department of Housing and Urban Development (HUD)
http://www.hud.gov/offices/hsg/sfh/hecm/rmtopten.cfm

15 Section 15

Overdraft Protection: Understanding Available Programs and Deciding If One Is Right for You

Overdraft protection is intended to protect you from unintentionally overdrawing your account and incurring fees. Overdraft fees can be costly.

Basic Points to Understand About Overdraft Protection

1. You have a choice whether you want courtesy, contractual, or no overdraft protection at all. (See below for explanations of the different types.) Make it clear to your institution whether you want overdraft protection attached to your checking account, and if you do, specify the type of overdraft protection you want. Keep in mind that different banks may offer the contractual or courtesy protection

or both. Make sure you understand which service is being offered with your account. It is important to note that you will have to apply for the line of credit type of overdraft protection and your application will be processed like any other type of loan request.

2. Be sure you understand the terms and conditions of the overdraft protection services, particularly the fees associated with each program. Your bank may charge monthly service fees, per-transaction fees, or both, as well as interest on the outstanding balance on the line of credit.

3. Regardless of which type of overdraft protection you choose, keeping track of your account activity will help you save money. Ask your bank if it offers an alert system which would inform you when your account balance is below a certain balance (e.g., $50) to help prevent you from overdrawing your account and incurring fees.

4. Always make sure the balance on your ATM printout or electronic statement corresponds with your records. Federal Reserve Regulations require banking institutions to disclose on the ATM printout the actual account balance, without including additional funds the institution may provide to cover overdrafts. Keep in mind that one or more checks you issued might not have cleared your account.

5. As of July 1, 2011, banks regulated by the FDIC are required to make changes to their automated (courtesy) overdraft programs in the interest of consumer protection. Banks must now:

- monitor the account activity for excessive and potentially costly use, and contact the customer with alternatives to the program;
- limit daily overdraft fees; and
- ensure that the order in which items are presented for payment doesn't result in higher fees.

Banks supervised by the OCC (national banks and federal savings institutions) are not subject to these requirements, but the OCC has issued proposed guidelines for programs offered by the banks it supervises.

Two Types of Overdraft Protection: Contractual and Courtesy

Contractual Overdraft Protection

With contractual overdraft protection, your financial institution agrees to honor all transactions from your checking account that exceed your account balance, up to a limit, either through a line of credit or a savings account from which your overdrawn transactions will be paid.

A line of credit is a loan, and your financial institution must provide you with a loan disclosure, detailing all the terms should you use a line of credit to cover your overdrafts. The interest rate on this type of loan could range from 9 percent to as high as 18 percent. When using a line of credit, the interest is charged immediately (as with a cash advance on a credit card); there is no grace period before the interest rate is applied. While the amount you owe with an interest rate of 18 percent for a $300 overdraft that takes you 30 days to repay may not seem like much ($4.50), many lenders also charge a per-transaction fee, and that fee is added to the balance on which the interest is charged. It doesn't take long for the fees and interest to add up.

However, depending on your circumstances, this may still be a more cost-effective way of ensuring that your checks are honored than using a savings account.

Using a savings account to cover overdrafts could require either a monthly fee or a per-transaction fee. Some banks require both fees, and some banks do not charge anything. So shop around to determine which fee schedule would work best for you. Keep in mind that if you don't have enough in your savings account to cover your overdrafts, your checks may be returned unpaid and a nonsufficient funds (NSF) fee may be imposed.

Courtesy Overdraft Protection
With courtesy overdraft protection (also known as overdraft privilege), the bank maintains full discretion as to whether or not it will honor transactions that exceed your account balance. The bank is not obligated to pay but will often pay the transactions, particularly if you are a good customer, in exchange for a fee. Be aware, however, that the bank will likely charge you a fee even if it does not honor the transaction.

What You Should Know If You Choose Not to Have Overdraft Protection

1. If you write a check that exceeds your account balance, it will likely not be honored and will be returned to the party to whom it was written.

2. You will very likely be charged a fee for each "bounced" check.

3. You may incur dishonored check fees, late fees, and interest from the party to whom you wrote the original check.

4. Banks and credit unions are prohibited from covering ATM or one-time debit-card transactions that would overdraw your account unless you consent to or "opt in" for overdraft protection on these types of transactions. If you opt in, you agree to pay any fees or interest charged for this service. Without your approval, transactions that exceed your account balance will be denied.

Additional Resources

Protecting Yourself from Overdraft and Bounced Check Fees
Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/pubs/bounce

Section 16

Repossession

If you finance an expensive item with a dealer (e.g., a car) or if you borrow money from a lender to make such a purchase, the papers you sign with the dealer or lender usually give your creditor the right to repossess (take back) the item if you don't finish paying for it.

What Are the Rules?

In most states, repossession is legal if the lender or dealer follows certain rules. Those rules include the following:

1. Some states require written notice that you are behind in your payments before repossession may occur. The dealer or lender must have delivered or attempted to deliver that notice, called a "Notice of Right to Cure Default."

2. If after receiving notice you still don't pay what you owe, or if you catch up on what you owe and then fall quickly behind again, or if your state is one of those that do not require written notice, the creditor or repossession company can repossess the car or other collateral.

3. While repossessing the item, the creditor or repossession company cannot "breach the peace." (In other words, they cannot use force or violence.)

4. The creditor or repossession company cannot enter a dwelling, including a garage that is part of your house. They can, however, repossess from your driveway, from the road in front of your house, from your parking lot at work, or from any other place of public access.

5. You have the right to get back any items that were inside your car that are not attached to the car. For example, you can't have your fancy car stereo that is permanently installed in the dashboard but you can get your briefcase or other loose items from the car.

6. After the repossession, in many states you will receive a notice giving you a short time to get your collateral back by paying the entire amount owed, as well as the reasonable expenses incurred in conducting the repossession. If you don't pay this amount (called "redeeming the collateral"), then the collateral will be sold at a public or private auction.

7. Any such sale of collateral must be conducted in a "commercially reasonable" manner. This is important because you may be liable for the "deficiency balance," which is the difference between the auction price and whatever you still owe on your loan or credit sale contract.

8. If you think that your rights were violated when an item you owned was repossessed, contact your state's Attorney General's Office or financial regulators. In all states, creditors and lenders are regulated, and in some states repossession companies are also licensed and bonded, so you may have recourse if the rules were not followed.

Additional Resources

Contact these agencies for questions or problems with debt repossession companies:

Federal Trade Commission
1-877-FTC-HELP (1-877-382-4357)
http://www.ftc.gov

Maine Bureau of Consumer Credit Protection
1-800-332-8529 (in Maine only)
http://www.Credit.Maine.gov

Massachusetts Division of Banks
1-800-495-BANK (1-800-495-2265) (in Massachusetts only); 1-617-956-1500
http://www.mass.gov/dob

To obtain contact information for your state's Attorney General's Office or financial regulatory authority, see Section 18, Appendix, page 45.

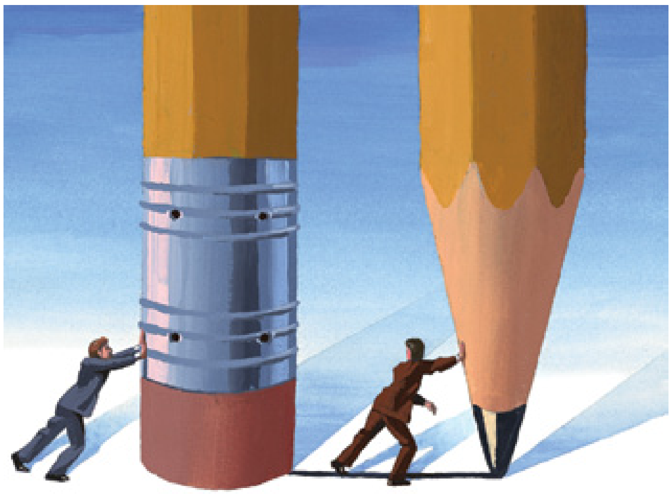
17

Section 17

Tenants' Rights in Foreclosure: What You Should Know Before You Turn in Your Keys

The foreclosure crisis is not affecting just homeowners; it is affecting tenants as well. If you are renting your home, you have specific rights in the event that your landlord is facing foreclosure.

What Happens If You Receive an Eviction Notice Due to Foreclosure



1. Your landlord cannot evict you until after the foreclosure process is completed unless you have violated the lease in some way (e.g., missed a rental payment).

2. You must continue to pay rent to your current landlord, unless you have received a court order directing you to do otherwise. Pay with a check or money order from a bank or post office. Write on the check's memo line "Rent in full for the month of______."

3. If you have a valid written lease, federal law* requires that the new landlord allow you to stay in your current home until the current lease expires. Exception: the new landlord can evict you sooner if he will use the property as his primary residence. Still, he is required to give you 90-day advance written notice before you can be legally evicted.

* Title VII of the Helping Families Save Their Homes Act of 2009, P.L. 111-22, which took effect on May 20, 2009, with an expiry date of December 30, 2012. The Act was extended to December 31, 2014, in Section 2014 of P.L. 111-203 (July 21, 2010).

4. If you do not have a lease or have a month-to-month lease, federal law* requires that the new landlord give you 90-day advance written notice before you can be legally evicted.

5. In Massachusetts, if you are a Section 8 tenant, the new landlord must take over the Section 8 voucher until the current lease expires, unless she will use the property as her primary residence, in which case she must give you 90 days' notice.

6. Under Connecticut law, elderly (62 years of age and above) and/or disabled tenants living in a building with five or more units cannot be evicted just because the property is in foreclosure. (Contact your local legal aid agency.)

7. Under Massachusetts law, elderly and/or disabled tenants can get a court-ordered stay (delay) from the housing court of up to 12 months before the landlord can evict. You must request this stay in the eviction action; it is not automatic.

8. Under Maine law, tenants must be notified of pending foreclosures of their rental buildings, and of all subsequent proceedings, including all matters through and including the sale of the property.

9. Under City of Providence (RI) ordinance, and under Massachusetts law, lenders are required to provide tenants the name and address of the new owner to whom rental payments can be sent. In Massachusetts, the lender must post this information in a prominent place in the building, as well as notify tenants of this information within 30 days of foreclosure New owners are also required to continue the provision of essential services.

What to Do If Your New Landlord Refuses Your Rental Payment

1. Be sure that you are paying rent to the right party. Before the foreclosure process is completed, pay rent to the current landlord, unless ordered to do otherwise by a court. Once the building is foreclosed upon, pay the new landlord (which could be a bank, a private company, or an individual). If you don't know who the new landlord is, contact the registry of deeds or the tax assessor's office.

2. Keep a written record of the landlord's refusal (and any other correspondence), and put the money in a separate account for proof of your attempt to pay.

3. Remember: You must continue to pay your rent! Otherwise, you may not be covered by the legal protections mentioned above, and your new landlord could legally evict you for your failure to pay rent.

What to Do If Your New Landlord Offers You Cash to Move Out

1. You are not obligated to accept what is known as a "cash for keys" offer.

2. Before you accept such an offer, determine whether you have an affordable place to live and enough time to move, and whether the money offered will cover such incidentals as basic moving expenses, security deposits, two months of rent at the new place, and wages lost for moving time.

3. For tenants in Connecticut, state law requires that the "cash for keys" amount be double the security deposit (including interest), or two month's rent, or $2,000, whichever is the highest amount. In effect, the required minimum amount of cash offered to Connecticut tenants is $2,000.

* Title VII of the Helping Families Save Their Homes Act of 2009, P.L. 111-22, which took effect on May 20, 2009, with an expiry date of December 30, 2012. The Act was extended to December 31, 2014, in Section 2014 of P.L. 111-203 (July 21, 2010).

Additional Resources

Good Neighbors Handbook: A Guide for Boston Landlords and Tenants
City of Boston's Rental Housing Resource Center
http://www.cityofboston.gov/Images_Documents/handbook_tcm3-9669.pdf

Is Your Landlord Going Through Foreclosure? What a Tenant Needs to Know
Connecticut Network for Legal Aid
http://ctlawhelp.org/landlord-foreclosure

Renters in Foreclosure Toolkit
The National Low Income Housing Coalition
http://www.nlihc.org/template/page.cfm?id=227

What Every Tenant in Massachusetts Should Know in This Foreclosure Crisis
Federal Reserve Bank of Boston
http://www.bostonfed.org/consumer/tenants/index.htm

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Section 18

Appendix: General Consumer Protection Resources in New England

Attorneys General in New England

Connecticut
Office of the Attorney General
55 Elm Street
Hartford, CT 06106
1-860-808-5318
http://www.ct.gov/ag

Maine
Office of the Attorney General
Consumer Information and Mediation Service
6 State House Station
Augusta, ME 04333
1-800-436-2131
Email: consumer.mediation@maine.gov
http://www.maine.gov/ag

Massachusetts
Office of the Attorney General
Public Inquiry and Assistance Center
One Ashburton Place
Boston, MA 02108
1-617-727-8400
http://www.mass.gov/ago

New Hampshire
Office of the Attorney General
Consumer Protection and Antitrust Bureau
33 Capitol Street
Concord, NH 03301
1-603-271-3641
http://www.egov.nh.gov/consumercomplaint

Rhode Island
Office of the Attorney General
Consumer Protection Unit
150 South Main Street
Providence, RI 02903
1-401-274-4400
http://www.riag.ri.gov/civil/consumer/

Vermont
Office of the Attorney General
Consumer Assistance Program
146 University Place
Burlington, VT 05405
1-800-649-2424 (in Vermont only);
1-802-656-3183
Email: consumer@uvm.edu
http://www.uvm.edu/consumer

Banker Trade Associations in New England

If you are in search of a banking institution or have questions about a particular institution, contact the banker trade association in your state.

Connecticut Bankers Association
10 Waterside Drive
Farmington, CT 06032-3083
1-860-677-5060
http://www.ctbank.com

Maine Bankers Association
489 Congress Street
Portland, ME 04101
1-207-791-8400
http://www.mainebankers.com

Massachusetts Bankers Association
One Washington Mall, 8th Floor
Boston, MA 02108-2603
1-617-523-7595
http://www.massbankers.org

New Hampshire Bankers Association
15 North Main Street, Suite 204
P.O. Box 2586
Concord, NH 03302-2586
1-603-224-5373
http://www.nhbankers.com

Rhode Island Bankers Association
121 South Main Street, 11th Floor
Providence, RI 02903
1-401-276-2637
(no web site)

Vermont Bankers Association, Inc.
89 Main Street
Montpelier, VT 05601
1-802-229-0341
http://www.vtbanker.com

Federal Banking Regulators

If you feel that your financial institution has treated you unfairly, you have the option of filing a complaint with the institution's primary federal regulator. Below is the contact information for each of the federal banking regulators. To determine the primary federal regulator for your banking institution, call the Federal Reserve Consumer Help Center at 1-888-851-1920, or the FDIC at 1-877-275-3342.

Board of Governors of the Federal Reserve System (FRS)
(Regulates state chartered banks that are members of the Federal Reserve System)
20th Street and Constitution Avenue, NW
Washington, DC 20551
1-202-452-3000
http://www.federalreserve.gov
Complaints: 1-888-851-1920 or http://www.federalreserveconsumerhelp.gov

Federal Deposit Insurance Corporation (FDIC)
(Regulates state chartered banks that are not members of the Federal Reserve System)
550 17th Street, NW
Washington, DC 20429
1-877-275-3342
http://www.fdic.gov
Complaints: http://www.fdic.gov/consumers

National Credit Union Association (NCUA)
(Regulates federal credit unions)
1775 Duke Street
Alexandria, VA 22314-3428
1-703-518-6300
http://www.ncua.gov
Complaints: 1-800-755-1030

Office of the Comptroller of the Currency (OCC)
(Regulates national banks and federal savings associations)
1301 McKinney Street, Suite 3450
Houston, TX 77010
1-800-613-6743
http://www.helpwithmybank.gov
Complaints: Customer.Assistance@occ.treas.gov

Consumer Financial Protection Bureau
(Regulates consumer financial products)
P.O. Box 4503
Iowa City, Iowa 52244
1-855 411-CFPB (2372)
http://www.consumerfinance.gov

State Banking Regulators of New England

In addition to ensuring that banks and credit unions in their respective states comply with banking regulations, all of the state banking regulators provide consumer assistance. Their contact information is listed below.

State of Connecticut Department of Banking
260 Constitution Plaza
Hartford, CT 06103
1-800-831-7225
http://www.ct.gov
Complaints: Government Relations and Consumer Affairs

Maine Department of Professional and Financial Regulation
Bureau of Financial Institutions
36 State House Station
Augusta, ME 04333-0036
1-800-965-5235
http://www.maine.gov
Complaints: Consumer Outreach Program

Massachusetts Division of Banks
1000 Washington Street, 10th Floor
Boston, MA 02118
1-800-495-2265, ext 501
(within Massachusetts only)
1-617-956-1500, ext 501
http://www.mass.gov/dob
Complaints: Consumer Assistance
dobconsumer.assistan@state.ma.us

New Hampshire Banking Department
53 Regional Drive, Suite 200
Concord, NH 03301
1-800-437-5991
http://www.nh.gov/banking
Complaints: Legal@banking.state.nh.gov

Rhode Island Department of Business Regulation, Banking Division
1511 Pontiac Avenue
Building 68-2
Cranston, RI 02920
1-401-462-9503
http://www.dbr.state.ri.us
Complaints: bankinquiry@dbr.state.ri.us

Vermont Department of Banking, Insurance and Securities and Health Care Administration, Banking Division
89 Main Street, Drawer 20
Montpelier, VT 05620
1-802-828-3307
http://www.bishca.state.vt.us

Fraud Prevention

Federal Bureau of Investigation (FBI)
J. Edgar Hoover Building
935 Pennsylvania Avenue, NW
Washington, DC 20535-0001
1-202-324-3000
http://www.fbi.gov

U.S. Postal Inspection Service
Criminal Investigations Service Center
ATTN: Mail Fraud
222 S. Riverside Plaza, Suite 1250
Chicago, IL 60606-6100
1-877-876-2455

U.S. Secret Service
http://www.secretservice.gov
Connecticut Field Office — 1-203-865-2449
Maine Field Office — 1-207-780-3493
Massachusetts Field Office — 1-617-565-5640
New Hampshire Field Office — 1-603-626-5631
Rhode Island Field Office — 1-401-331-6456
Vermont Field Office — 1-802-651-4091

Legal Services in New England

Connecticut
Statewide Legal Service
1-800-453-3320
http://www.slsct.org

Greater Hartford Legal Aid
1-860-541-5000
http://www.ghla.org

New Haven Legal Assistance
1-203-946-4811
http://www.nhlegal.org

Maine
Pine Tree Legal Assistance
1-207-774-8211

Maine Volunteer Lawyers Project
1-800-442-4293
http://www.vlp.org

Massachusetts
Legal Advocacy and Resource Center
1-800-342-5297

Boston Rental Housing Resource Center
1-617-635-RENT (7368)

Greater Boston Legal Services
1-800-323-3205
http://www.gbls.org

New Hampshire
New Hampshire Legal Assistance
1-800-921-1115
http://www.nhla.org

Legal Advice & Referral Center (LARC)
1-800-639-5290
http://www.nhls.org

New Hampshire Bar Association — Legal Services Programs
http://www.nhbar.org/for-the-public/free-legal-services.asp

Disabilities Rights Center
1-800-834-1721
http://www.drcnh.org

Rhode Island
Rhode Island Legal Services
Housing Law Center and Eviction Defense Clinic
1-800-662-5034
http://www.rils.org/housing.htm

Vermont
Vermont Legal Aid
1-800-889-2047
http://www.vtlegalaid.org

Notes

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To download this publication go to
www.bostonfed.org/consumer
or to order copies call 800-409-1333.

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