



## **Consumer Tips for the Downturn**

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## Introduction

OSPIRG's consumer program works to strengthen consumers' power in the market place, which is of continuing importance today in light of these tough economic times. Consumers in a struggling economy stand to be especially harmed by unfair practices, scams, ripoffs, and fraud. All too often there is an information gap between corporations and consumers, and this guide attempts to bridge at least some of that gap. The tips and know-how included here are good advice in any economic climate, but they are especially important in this economy. Credit card debt, consumer credit scores, and identity theft are some of the most common problems facing consumers today.

## Credit Cards

These days, having a credit card is almost a necessity. In most households across the country, a credit card is essential to building up and maintaining a strong financial history while adding convenience to daily life. But to make more profit, the credit card industry has stepped up marketing and changed the rules to trap consumers into a cycle of high fees, penalty interest charges and other unfair practices.

Now, with the economy in trouble, more and more people are falling behind on credit card debt-- credit card defaults reached record levels in January 2009, and the big credit card companies are jacking interest rates on consumers.

The following are the tricks and tips to know to avoid credit card debt, and to lower your interest rate.

### **Deals that are too good to be true**

Glossy, too-good-to-be-true credit card offers come at us left and right. The average household receives eight credit card offers each month. In 2006, U.S. consumers received nearly 8.0 billion direct mail credit card solicitations last year, a 30% increase over the prior year, according to CardTrak. Credit card companies rely on many tactics to get consumers to apply. Here are the most common:

**LOW, “TEASER” INTEREST RATES:** The low interest rate that convinces a consumer to sign up can expire suddenly. A temptingly low introductory rate can climb to 30 percent or higher. These low rates are offered if the consumer transfers a balance from one credit card to another as well—in the hopes that the consumer won't pay off the balance and ends up paying higher interest once the teaser rate expires.

**PRODUCT REWARDS AND DISCOUNTS:** Credit card companies have designed new programs that offer consumers free merchandise—anything from vacation packages and airline travel to televisions, depending on how often the consumer uses their card. Credit card companies profit from these “rewards programs” by urging consumers to rack up a big balance that earns higher profits on interest for the company. These programs put consumers deeper into debt.

**FREEBIES FOR APPLYING:** Credit card companies give out all sorts of trinkets , especially targeted at young people and college students, to get people to apply for credit cards at public events and on college campuses. Freebies include low cost airline tickets, tee shirts, candy, pizza, frisbees, travel mugs, and more. These marketing tactics hide unfair terms and conditions.

## How to stop solicitations through the mail

Under federal law, a consumer can reduce the number of solicitations received through the mail that are generated from the consumer's credit report. You can opt out for either five years or permanently—you can later choose to opt back in.

### More information at this government website :

<http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre17.shtm>

### To opt out:

Call 1-888-5-OPTOUT (1- 888-567-8688) or visit [www.optoutprescreen.com](http://www.optoutprescreen.com).

## Fees, fees, and fees

Once consumers sign up, then credit card companies ambush them with shoddy terms and conditions. In 2006, credit card companies made over \$17 billion in penalty fees. According to one survey nearly 60% of consumers pay at least one late fee each year. Late fees among major credit cards are up to \$39. New penalty fees combined with other unfair practices drive consumers' balances sky high.

**PENALTY FEES:** Companies slap consumers with fees by making it more likely they will be late paying their bills. Many have shortened the time between when a bill is sent and comes due. The industry has all but eliminated the grace periods for bill payment, to ratchet up late fee income. Many companies claim a bill is late unless received by 11am on the due date; and others may change a bill's due date from month to month.

**OVER THE LIMIT FEES:** Rather than rejecting transactions that exceed the consumer's credit card limit, issuers often let them go through, then charge a hefty over-the-limit fee—as high as \$39, and then raise that consumer to a penalty interest rate as a double whammy.

**SKY HIGH INTEREST RATES:** Some companies charge penalty interest rates as high as 40% a year. To prolong their profits at these high rates, they encourage consumers to pay very low minimum payments.

## Unfair practices

Perhaps the worst trend in credit card banking is the surge in unfair and at times predatory terms and conditions that take advantage of consumers.

**CHANGING CONTRACTS:** Credit card terms keep changing. Read the fine print and find this disclosure: “We reserve the right to change the terms (including the APRs) at any time for any reason, including no reason.” A fixed rate is fixed only until the bank provides at least 15 days notice that it isn’t.

**DOUBLE BILLING:** One-third of the credit card companies use a billing method which charges interest on credit card debt already repaid by the consumer!

**UNIVERSAL DEFAULT:** A consumer’s interest rate can skyrocket even if the consumer always pays the bill on time and never misses a payment. Some card issuers will raise the rate if a consumer in good standing to them merely inquires about a car loan, opens a new credit card, or allegedly misses a payment on another account.

**HIDDEN COSTS:** Some fees are not disclosed at all in the materials provided to cardholders. For example, some issuers charge cardholders a \$5 to \$15 fee to make a single bill payment by telephone; others charge deceptive foreign currency transaction fees or even a \$2 to \$13 fee for obtaining a single copy of a billing statement or other record.

## **Our six tips to avoid getting stuck with deep credit card debt:**

1) Shop around before getting a card. Deceptive terms and conditions abound throughout the industry. Look for:

- An APR of 15% or lower;
- No annual fees;
- No universal default or risk-based repricing clause (where a credit card company claims the right to impose penalty rates if you are allegedly late paying to a different creditor or utility company or because your credit score declines, which could happen for numerous reasons unrelated to bad credit).

Also, read the fine lines on teaser rates—make sure that you don't agree to a low rate that then can rocket above 15- 20% after the 90-day teaser expires. Finally, look for a penalty interest rate that remains in place for a limited time only, for example, your penalty interest rate should revert back to your usual rate after four to six consecutive on-time payments.

2) Use credit cards sparingly. Companies will try to lure you with "rewards programs" and incentives so you will use your credit card to pay for everything from pizza to rent to gasoline expenses. The debt you'll incur outpaces any additional value of what you gain in rewards. A 1% reward doesn't reduce a 25% APR very much! So pay for day-to-day and cost-of-living expenses in cash as much as possible.

3) Pay off balances in full each month. Companies keep the minimum monthly payment low so that you'll extend your payment over time and rack up additional debt in interest. If you can't pay off the card in full, then make the largest payment possible each month. Always pay more than the minimum required.

4) Make your payments as early as possible every month (at least 7-10 days before it is due) to avoid late charges. Also, watch for the trick of the “changing due date” (e.g., all of a sudden, your bill is due on the 25th, not the 30th). Companies routinely charge late fees which can be over \$30. Worse, when you pay late, nearly half of all companies also jack up your interest rate to 25-30% APR or more! Some credit card companies even impose penalty rates (universal default) if you are late to a different creditor or utility company but on time to them, or if your credit score declines due to “too many credit inquiries” or “an increase in utilization (having cards paid as agreed but with balances over 50% of the limit)”.

5) Call your credit card company and ask for a lower rate. It’s cheaper for a credit card company to keep a customer than find a new one, so if you think that your interest rate is too high, call the number on your card and ask for a lower one. In a recent PIRG study, over half the consumers who called lowered their rates by a third or more.

6) If you believe you are the victim of unfair interest rate charges, late fees or other penalties, or deceptive marketing, and the credit card company fails to address your complaint, file complaints with the Oregon Department of Justice and the national Office of the Comptroller of the Currency (which regulates most of the biggest credit card companies and will forward your complaint to a different regulator if needed).

### **The Oregon Department of Justice**

Website: <http://www.doj.state.or.us/finfraud/index.shtml>

Email: [consumer.hotline@doj.state.or.us](mailto:consumer.hotline@doj.state.or.us)

Consumer Hotline: (1-877) 877-9392

Mailing address: Oregon Department of Justice  
1162 Court Street NE  
Salem, OR 97301-4096

### **The Office of the Comptroller of the Currency**

Website: [www.occ.treas.gov/customer.htm](http://www.occ.treas.gov/customer.htm)

Email: [Customer.Assistance@occ.treas.gov](mailto:Customer.Assistance@occ.treas.gov)

Phone: 1-800-613-6743

Address: Customer Assistance Group  
1301 McKinney Street, Suite 3710  
Houston, TX 77010

## **Credit Reports**

Three national credit bureaus, Equifax, Experian, and Trans Union, collect and compile information about consumer creditworthiness from banks, creditors and from public records such as lawsuits, tax liens and bankruptcy filings. The so-called "Big Three" each maintains a file on nearly every adult American. The resulting credit report amounts to a consumer's financial resume. The credit score calculated from this report is a consumer's financial SAT.

Unfortunately, many credit reports contain significant errors that can cause consumers to be denied credit, a loan, an apartment or home loan or even a job. With the economy in a downturn, and credit increasingly difficult to come by even for those with perfect credit, inaccurate credit reports can have even more serious consequences for consumers.

## **How to check your credit report**

Check your credit reports at least once a year for errors by the three national credit bureaus that collect data on your financial history.

All consumers have a right to a free annual credit report from each of the three bureaus, but only through the federally-mandated joint website at [www.annualcreditreport.com](http://www.annualcreditreport.com) or by phone at 877-322-8228.

Watch out for “upsell” offers, where the bureaus try to get you to pay more by signing up for “trial offers” for their over-priced (up to \$15/month), unnecessary “credit monitoring” services. Perhaps the worst of these is the Experian owned [freecreditreport.com](http://freecreditreport.com) which has paid over \$1.2 million in settlements over their deceptively marketed “free” credit reports that require you to sign up for a paid service and cancel within seven days to actually get the report for free.

## **How to Fix Errors in Your Credit Report**

If you believe that there is incorrect information in your credit report, you can request that the credit reporting agency investigate your claim.

### **Request an investigation:**

If you believe that there is incorrect information in your credit report, you can request that the credit reporting agency investigate your claim. In order to process your complaint, the agency can require that your correction request be put into writing and that you provide sufficient information regarding the alleged error.

### **Contact information for the credit reporting agencies:**

#### **Equifax**

[www.equifax.com](http://www.equifax.com)  
P.O. Box 740241  
Atlanta, GA 30374-0241  
Report fraud: (800) 525-6285  
Order report: (800) 685-1111

#### **Experian**

[www.experian.com](http://www.experian.com)  
P.O. Box 1017

Allen, TX 75013  
Report fraud: (888) 397-3742  
Order report: (888) 397-3742

### **Trans Union**

www.transunion.com  
P.O. Box 390  
Springfield, PA 19064  
Report fraud: (800) 680-7289  
Order report: (800) 916-8800

### **The investigation process:**

Once they receive your request, the credit reporting agency must notify the creditor in question that you are disputing the credit information and will ask the creditor to review his/her records. In some cases, the agency might find that the dispute is “frivolous or irrelevant,” and so will not conduct an investigation. In this case, the agency must notify you that it is dismissing your case within five days of its decision and state specific reasons for its finding.

If any errors are found, the credit reporting agency must correct, complete, or delete the incorrect information within 3 business days. If you disagree with the credit reporting agency’s investigation conclusion, you may write your own brief statement (no more than 100 words) that clearly states your version of the dispute. This statement will be included along with your credit report when the credit reporting agency sends out the report to lenders.

If inaccurate or unverifiable information is deleted from your credit report, the information cannot be reinserted into the report unless it is verified by your creditor. If deleted information is reinserted, the credit reporting agency must notify you within 15 days and give you a toll-free number to call to request the contact of the person who requested the insertion of the information.

## **Identity Theft**

Over the last several years, dozens of companies and agencies have disclosed that they’ve lost the confidential financial information Americans, including the largest ever data breach in January 2009 from Heartland Payment Systems, potentially over 100 million credit and debit card numbers. What’s more, identity theft in Oregon is still on the rise with a 13% increase in consumer complaints from 2007 to 2008 reported by the FTC.

Easy availability of confidential financial information, coupled with sloppy credit-granting practices by creditors and credit bureaus, makes it far too easy for identity thieves to open accounts in your name. And in tough economic times, consumers are more sensitive than ever to the negative effects of ID theft, including damaging false information on their credit reports.

## **Ten Tips to Reduce Your Risk of Identity Theft**

Individuals alone cannot prevent identity theft. While you may do an excellent job safeguarding your own personal information, companies that profit from our information often have inadequate security standards. In addition to supporting strong implementation of consumer protection laws, here are ten steps you can take in your own daily life to reduce your chance of becoming a victim:

### **1. Secure your personal information**

- Guard your mail. Consider buying a mailbox that locks or installing a mail slot in your door to protect thieves from stealing your bills, convenience checks, pre-approved credit offers, and other mail that contains sensitive information.
- Shred and destroy any bills, account statements, credit card offers, or files containing sensitive information before throwing them away.
- Carry only the information you need. When you go out, only take the debit cards, credit cards and identification that you will need to use.
- Use effective passwords for your financial accounts. Avoid using easily available information such as your mother's maiden name, your birth date, or the last four numbers of your social security number.

### **2. Protect you social security number**

- Do not carry your social security card in your wallet.
- Request alternative identification numbers. Do not allow your social security number to be used on your driver's license or identification cards for your employer, school, or insurer.
- Do not use your social security number as a password or security code on your accounts or the Internet.

### **3. Tell companies not to sell or share your data**

- Stop creditors from sending pre-approved credit offers through the mail. Call 1-888-5-OPT-OUT, a number maintained by the three major credit bureaus. Press option 3 to remove your name permanently. You can also opt-out of these offers electronically at [www.optoutprescreen.com](http://www.optoutprescreen.com)
- Opt-out of information sharing. Federal law allows you the stop your bank and other financial institutions from sharing your personal information with most outside companies. Review the "Privacy Policies" your financial institutions send you once a year, and write to any companies that you want to restrict from sharing your personal information.

### **4. No "Phishing"**

Phishing is a form of Internet fraud that involves thieves sending email or pop-up messages to trick individuals into providing their personal information, like account numbers and passwords. These fraudsters are sophisticated and may appear to be a bank or other financial institution that you deal with.

- Never respond to an email or pop-up message that asks for your personal or financial information. Legitimate companies will not ask for this information.

- Never click on the link in these messages. Fraudsters can make the link look like its going to your financial institution, but in fact it's going to a different site.

## 5. Be careful on the Internet

- If you shop on the internet, it's safer to use credit cards than debt cards. Victims of debit card fraud have less legal protection than victims of credit card fraud.
- Deal only with reputable companies that you know.
- Check privacy and security policies of websites, and look for opportunities to opt out of information sharing.
- Install firewalls and virus-detection software on your computers, and keep them up to date.

## 6. Keep track of your financial accounts

- Check your bills and account statements each month for fraudulent charges and report any suspicious charges immediately.
- Make sure you receive your statements on time. Call your creditor if you do not receive them because thieves may have made a fraudulent change of address on your account.

## 7. Monitor your credit reports

- Order a FREE copy of your credit report every 12 months from each of the three major credit bureaus. You can request all three reports at once, or stagger them throughout the year. Review your credit report for errors. (See **How to Check Your Credit Report**)
- Check the following information in your credit report:  
Your name, address, social security number are correct  
All inactive accounts are closed  
No accounts or debts that do not belong to are listed  
No unfamiliar parties have recently obtained a copy of your credit report

## 8. Take control over your credit

- Security Freeze: Oregon residents can place a freeze on credit reports to reduce the risk of identity theft. To place a freeze on your credit report, contact each of the three credit reporting agencies in writing, or, if they have one, fill out a form on their website. The freeze is free for victims of identity theft, but the credit reporting agencies can charge Oregonians who aren't yet identity theft victims up to \$10 for each freeze, and for each temporary lifting of the freeze (See **How to sign up for a security freeze**).
- Military Alerts: If you are a member of the military and are on active duty, you may place an active duty alert on your credit file. The active duty alert will require creditors to take additional steps to verify an applicant's identity before issuing credit in your name. Call one of the three national credit bureaus (see **How to fix errors in your credit report** for contact info) to place an activity duty alert on your file. It will contact the other credit bureaus. The active duty alert will remain valid for twelve

months.

- **Fraud alert:** If you believe that you are a victim of fraud, you may place a fraud alert on your credit reports that will require creditors to take additional steps to verify an applicant's identity before issuing credit in your name. Call one of the three national credit bureaus ( see **How to fix errors in your credit report** for contact info) to flag your file with a fraud alert. It will contact other credit bureaus. This initial fraud alert will remain valid for 90 days. Ask for a free credit report and review it thoroughly. Fraud victims are entitled to a free credit report. If you file a report with law enforcement, you may place an extended fraud alert on your credit report that will remain valid for seven years. With an extended alert on your report, you may request two free credit reports a year.

## 9. Demand strong protections

- Ask questions whenever merchants, creditors, schools and others ask you for sensitive personal information that seems unnecessary for the transaction. Ask how the information will be used and how it will be safeguarded.
- Talk to your employer about how it safeguards your personal information. Request that social security numbers not be used as employee identification numbers.

## 10. Be active

While these tips can help reduce your risk of fraud, more needs to be done to protect consumers from identity theft. To help pass stronger financial privacy laws, and urge strong enforcement of the laws on the books contact us at 503-231-4181 or [www.ospirg.org](http://www.ospirg.org)

## Security Freeze Information

If your personal information has fallen into the hands of identity thieves, they can too easily open new credit accounts in your name. As of October 2007, Oregonians have the right to a security freeze – a tool to block identity thieves from opening fraudulent accounts, even if they've accessed your personal information. .

A Security Freeze is the right to control access your own credit report by protecting it with a passcode, like an ATM PIN. It doesn't interfere with existing accounts. It only blocks unauthorized new accounts.

Here's why it works: A potential creditor won't issue new credit (such as a credit card, cell phone account or car loan) without reviewing a consumer's credit report. If only the actual consumer can grant access to the credit report, thieves are blocked from opening new accounts.

Keep in mind that a security freeze will not prevent a thief from misusing your existing credit cards and accounts. A security freeze is a targeted tool to prevent the most expensive and damaging form of

identity theft – the opening of new, fraudulent accounts in your name.

### **How to place a security freeze**

Contact each of the three national credit reporting agencies: Equifax, Experian, or Transunion. You can contact them in writing (see **How to fix errors in your credit report** for contact info), or, if they have one, fill out a form on their website. Within 10 days, the agencies will send you your passcode and instructions for how to temporarily lift, or permanently remove, the freeze. The credit agencies charge a \$10 fee to place a security freeze, unless you have been a victim of identity theft.

To access Oregon's fillable security freeze request form go to:

[http://www.cbs.state.or.us/dfcs/identity\\_theft/security\\_freeze.html](http://www.cbs.state.or.us/dfcs/identity_theft/security_freeze.html)

### **How to temporarily lift a freeze**

Follow the instructions provided by each of the credit reporting agencies. You'll need to provide them with your password, identification, and the amount of time you want to temporarily lift your freeze for. Each of the credit reporting agencies must lift your freeze no later than 3 business days after receiving the request. The credit agencies charge a \$10 fee to "thaw" your credit freeze.

### **How to remove a freeze**

Follow the instructions provided by each of the credit reporting agencies, providing them with your passcode and identification. Each of the credit reporting agencies must remove your freeze within 3 business days of receiving a request.

### **Costs associated with the security freeze**

The freeze is free for victims of identity theft. Credit reporting agencies can charge Oregonians who aren't yet identity theft victims no more than \$10 for each freeze, for each lifting of the freeze, for removal of the freeze, and to replace a passcode.

## **How To Clean Up Identity Theft**

In general, if you are a victim of identity theft or fraud, you likely will not be responsible for fraudulent charges. But, you do need to clear your name. To lessen the impact of fraud and theft, take the following steps immediately:

### **1. Contact the fraud department of one of the three major credit bureaus, and place a fraud alert on your credit file.**

A fraud alert can help you stop the thief from opening up additional accounts. With a fraud alert on your credit file, creditors will have to take additional steps to verify an applicant's identity before issuing credit in your name.

You can place an initial fraud alert in your credit file by calling any one of the three major credit bureaus. That credit bureau is required by law to notify the other two bureaus.

If you want to extend this alert beyond 90 days you will have to file an identity theft report with federal, state or local authorities and provide any additional documentation the credit bureaus reasonably require in order to verify the validity of the fraud. (see **How to fix errors in your credit report** for contact info)

## **2. Review your credit reports from all three credit bureaus.**

Once you have placed the fraud alert in your credit file, you have the right to order a free copy of your credit report from each of the credit bureaus. Request a copy from each bureau.

When you get a copy of your report, review it carefully. Look for any accounts that you did not open. Also, look under the "Inquiries" section of your credit report to see if any unfamiliar companies have requested a copy of your credit report. Your credit report may have been provided to these companies because the thief has attempted to open an account in your name.

## **3. Close any new accounts the imposter has opened or has used to make fraudulent charges, and tell the credit bureaus to remove these accounts from your reports.**

If a thief has opened new accounts in your name or made charges on your existing accounts, contact those companies and report the fraud.

You may want to use the Federal Trade Commission's ID Theft Affidavit when disputing these accounts. Ask the companies to close the accounts. You also need to dispute these accounts with the credit bureaus. Under federal law, you can block the reporting of any information in your credit report that is the result of identity theft. To do that, you will need to file an identity theft report and provide the credit bureau with proof of your identity. The credit bureau may refuse or cancel your request for a block if you do not provide it with the necessary documentation or if you make any material misrepresentations of fact.

## **4. Report the crime.**

Report the crime to your local police department. Be sure to get a copy of the police report, as you may need it when you are working to clear your name with creditors and the credit bureaus.

You also will need to file a report with law enforcement in order to extend the initial fraud report on your credit files for more than 90 days.

## **5. Notify the Federal Trade Commission.**

Report the crime to the Federal Trade Commission. The FTC will share your complaint with law enforcement agencies across the country that are investigating identity theft. Filing a complaint also will help policy makers who are working to address the problem of identity theft learn more about what needs to be done about this problem.

\* Call the FTC's Identity Theft Hotline: (877) IDTHEFT (877-438-4338),

\* Or complain on line: [www.consumer.gov/idtheft](http://www.consumer.gov/idtheft)

\* Or write: FTC Identity Theft Clearinghouse, 600 Pennsylvania Ave. N.W. , Washington , DC 20580 .