

The Consumer Financial  
**Emergency Survival Kit**





# New England Consumer Advisory Group

March 2010

Federal Reserve Bank  
of Boston

Boston Department of  
Neighborhood Development

Brattleboro Savings  
& Loan Association

Connecticut Department  
of Banking

Federal Deposit Insurance  
Corporation

Gallagher, Callahan & Gartrell, P.C.

Homeowner Options for  
Massachusetts Elders

Housing Network of  
Rhode Island

Maine Bureau of  
Consumer Credit Protection

Massachusetts Bankers  
Association

Massachusetts Division  
of Banks

Massachusetts Office of  
Consumer Affairs

Morin Center for Banking and  
Financial Law, Boston University

Neighborhood of  
Affordable Housing

New Hampshire  
Banking Department

Office of the Comptroller  
of the Currency

Office of Thrift Supervision

The Access Project

This New England Consumer Advisory Group booklet, entitled, *The Consumer Financial Emergency Survival Kit*, is intended to provide consumers with basic helpful guidance and resources on a broad range of consumer financial topics.

The New England Consumer Advisory Group (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.bos.frb.org/consumer> or call the Federal Reserve Bank of Boston's Publications Hotline at 1-800-409-1333.





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# 1

## Section 1

### Auto Loans: Getting the Best Possible Financing on Your Car

*If you are in the market for a car and you intend to finance this big purchase, consider the following:*

#### 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. (See Section 6, Credit Reporting, page 18, for more information on credit reports.)
2. You don't have to finance through the car dealership. 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)<sup>1</sup> offered, and see if you can 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.

#### 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 sound 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.
5. Before you agree to the contract, determine if there are pre-payment penalties for paying off the balance early. Avoid contracts with pre-payment penalties, if possible.
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, extended warranties and other options are not required and can be costly over the term of the loan.

<sup>1</sup> 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.

8. Keep in mind that there are other required associated costs of owning a car that you will be required to pay for 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>

##### **Keys to Vehicle Leasing: A Consumer Guide**

Board of Governors of the Federal Reserve System

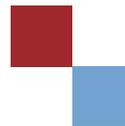
<http://www.federalreserve.gov/pubs/leasing>

En Español: Consejos para arrendar un vehículo: Guía del consumidor

[http://www.federalreserve.gov/pubs/leasing/guide\\_spanish.htm](http://www.federalreserve.gov/pubs/leasing/guide_spanish.htm)

*To file a complaint against an auto dealer, contact the Federal Trade Commission: 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 17, Appendix, page 43, for contact information.)*



## Section 2

### **Banks and Credit Unions: Choosing the Right One for You**

*There are more than 500 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 (checking and savings) accounts, credit products (credit cards, overdraft protection, mortgages and car loans), investments (money market accounts), and other related services. Consider what 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. Would you visit your bank or credit union weekly, or do you conduct most of your banking business online or by phone? Would you prefer a banking institution that has few or many locations? Is it more important for your banking institution to be close to home, close to work or both? Are you interested in doing most of your banking online with a bank or credit union that does not have a physical presence nearby in exchange for 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 able to provide the personal attention that may not be as prevalent in larger regional institutions with more locations and 24-hour call centers.

## ATMs

If you use an ATM card frequently and like to access your account(s) from more than one location, consider an institution with a large ATM network. Or, consider one that participates in the SUM or CU24 networks, 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>.) Either way, you may be able to avoid ATM surcharges.

Check to see if your depository institution imposes network or interchange fees for using another bank's ATM. Some banks also offer products that reimburse customers for any fees incurred when using another bank's ATMs, and pay higher interest rates if you have direct deposit and use your debit card several times a month. (Note that using a debit card to get cash back when making a purchase instead of at an ATM may help you avoid ATM surcharges altogether.)

## ONLINE BANKING

Today, more than 50 percent of all bank customers bank online. Inquire about services offered, how online banking works at the particular institution and what, if any, fees may be assessed. In the United States, there are a number of "branchless banks" operating, and for people looking for purely convenient 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 on the basis of your account balance, the number and type of transactions you make and what other accounts you 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 you have a regular direct deposit. (Be sure to check how the institution calculates minimum balances; for example, average, daily or monthly balances.)

Consider the number of transactions you will perform monthly, including check writing, ATM and point-of-sale transactions and any automatic debits you may set up (health clubs, utilities, car payments, and so forth). Some institutions charge for certain transactions while others may allow you a limited number of free transactions. Review account features so that you know when you will incur certain fees for out-of-network ATM use or automatic overdraft protection on your account. Overdraft programs are popular and helpful, but you can incur significant fees if you do not monitor account balances.

Finally, evaluate fees charged, interest rates paid and rewards checking features 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 and has lower fees) may be the 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 unable to maintain large bank balances should consider low cost banking 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://mcbc.info/basic\\_banking](http://mcbc.info/basic_banking).

## ADDITIONAL RESOURCES

### **A Shoppers Guide to Bank Products and Services**

FDIC Consumer News (Summer 2005)

<http://www.fdic.gov> (Type "Summer 2005 Shopper's Guide" in the search field)

### **Answers and Solutions for Customers 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/cnfallo6/costly.html>

### **Five Tips for Protecting Your Checking Account**

Board of Governors of the Federal Reserve System

<http://www.federalreserve.gov/Pubs/checkingaccount/>

[En Español: Cinco consejos para proteger su cuenta bancaria](#)

[http://www.federalreserve.gov/Pubs/checkingaccount/spanish\\_checkacctips.htm](http://www.federalreserve.gov/Pubs/checkingaccount/spanish_checkacctips.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/index\\_sp.cfm](http://www.federalreserveconsumerhelp.gov/index_sp.cfm)

### **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>

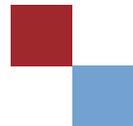
### **What You Should Know About Your Checks**

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](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> (Type “Money Smart” in the search field)

*For additional information on financial institutions near you, contact your state’s Bankers Association. (See Section 17, Appendix, page 43.)*

*To file a consumer complaint against a banking institution, contact the Federal Reserve Consumer Help Line 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 17, Appendix, page 43 for contact information.*

## **3** **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 and write it all down.

#### **TAKE CARE OF YOURSELF FIRST:**

If you have a retirement savings plan available to you, 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 and upkeep, as well as public transportation.
3. **Other Debt Repayment (15%)** — Not your mortgage or car loan, but student loans, credit cards and other debts.

4. **Savings/Emergency (10%)** – No questions asked. Non-negotiable.
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 another, except from savings.

#### MAKE CHANGES TO WORK TOWARD YOUR GOALS:

1. Consider whether you might work another job for additional income.
2. Pay off debts starting with the account with the highest interest rate.
3. Don't charge anything on credit that you can't pay off when the bill arrives.
4. Stop accepting 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 just required minimum payments on your debts, including 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 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 only cash. Withdraw your spending money for the week from your bank account and don't go back – when the cash is gone, it's gone!

#### SHARE YOUR PLAN WITH FRIENDS AND FAMILY:

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 experience some other sudden drop in income, you should:*

- 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 costs savings to build a cash stockpile.
- Review your health insurance options.
- Save your retirement money – don't cash out; either roll the money over to an IRA or leave it in your employer's plan.



## ADDITIONAL RESOURCES

### **U.S. Financial Literacy and Education Commission**

1-888-MyMoney

<http://www.mymoney.gov>

### **Managing Your Money in Good Times and Bad**

FDIC Consumer News (Winter 2007-2008)

<http://www.fdic.gov> (Type “Managing Your Money” in the search field)

### **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://dallasfed.org/ca/wealth/index.cfm>

### **Online Personal Budgeting and Money Management System**

<http://www.mint.com>

### **Connecticut Department of Consumer Protection: Money Saving Tips**

State of Connecticut

<http://www.ct.gov>

### **University of New Hampshire Cooperative Extension: Managing Money**

University of New Hampshire

<http://extension.unh.edu/Money/Money.htm>

### **University of New Hampshire Cooperative Extension School Money Management Classes**

University of New Hampshire

<http://extension.unh.edu/money/MMPprograms.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**

<http://www.fdic.gov/consumers/consumer/news/cnwin0809/index.html>

## Section 4

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

*Here are some basic points you should understand 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. You are not guaranteed the pre-approved rate offered on the credit card solicitations you receive in the mail.
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.
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 (time to pay 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 you could adversely affect your credit score. If you are mailing your payment, be sure to leave enough time for delivery; the credit card company will consider your bill paid on the day they receive it, not the date post-marked 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 more protected using credit cards than when paying with cash, check, or a debit card. If your card is lost or stolen, your maximum liability is \$50. Contact your card issuer immediately. If you see an error or unauthorized charge on your bill, notify the card issuer in writing within 60 days by calling, then following with a letter mailed 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. You also 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 within which you live or within 100 miles of you.

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

*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.*

*And here are the particulars you should understand about credit card interest rates and fees:*

#### RATES

1. The annual percentage rate (**APR**) is the annualized interest rate that you will pay 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 pre-determined 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 move 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 on 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., balance transfer, purchase, and cash advance balances), effective February 2010, card issuers are required to apply your payments in excess of the minimum required amount, to the balance carrying the highest APR first.
5. If you fail to make your payment on time or if you go over your credit limit, the card issuer may increase your APR. Effective February 2010, card issuers refer to the increased APR as the "penalty APR."

#### FEES

1. **Annual Fee:** Some card issuers assess a flat fee each year for use of the card. Many reward programs are linked to cards with annual fees. So, if you don't plan to take advantage of credit card rewards, try to find 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. Effective February 2010, 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:** Effective February 2010, card issuers can no longer 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.)

#### 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**

Federal Reserve Bank of Boston (December 2009)

1-800-409-1333

<http://www.bos.frb.org/consumer/consumerpubs.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](http://www.helpwithmybank.gov/faqs/credit_cards.html)

##### **Credit Cards**

New Hampshire Department of Justice

[http://www.doj.nh.gov/consumer/sourcebook/credit\\_cards.html#fyi1](http://www.doj.nh.gov/consumer/sourcebook/credit_cards.html#fyi1)

##### **Credit Card Secrets**

Massachusetts Office of Consumer Affairs and Business Regulation

<http://www.mass.gov> (Type "Credit Card Secrets" in the search field)

##### **Choosing a Credit Card**

Board of Governors of the Federal Reserve System

<http://www.federalreserve.gov/pubs/shop/default.htm>

##### **Five Tips for Getting the Most from Your Credit Cards**

Board of Governors of the Federal Reserve System

<http://www.federalreserve.gov/pubs/creditcardtips/default.htm>

##### **Plastic Fraud: Getting a Handle on Credit and Debit 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 the Card Issuing Institution:*

*Federal Reserve Consumer Help Center: 1-888-851-1920*



# 5

## Section 5

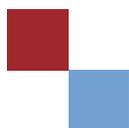
### Credit Counseling: Help with Managing Your Finances

*Credit counselors are available to consumers throughout New England at little or no cost. Consider the following information when seeking a counselor's assistance:*

1. Credit counseling could 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 to 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. Select an organization that is a nonprofit, that is affiliated with a national organization and that offers a wide range of services. Some state government web sites 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 what 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 for no charge at all.

*And if you are considering a Debt Management Plan (DMP), here's what you should know:*

1. Depending on your circumstance, a credit counselor may suggest a DMP to address your financial situation. A DMP is an arrangement 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 will 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 a bad indicator of your 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 accepted the DMP and are receiving payments from your counseling agency.

#### ADDITIONAL RESOURCES

##### **Fiscal Fitness: Choosing a Credit Counselor**

Federal Trade Commission (FTC)

English: <http://www.ftc.gov> (Type “Choosing a Credit Counselor” in the search field)

En Español: <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)

English: <http://www.ftc.gov> (Type “A Must Do List” in the search field)

En Español: <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> (Type “Personal Bankruptcy” in the search field)

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

U.S. Department of Housing and Urban Development (HUD)

<http://www.hud.gov> (Type “HUD Approved Housing Counselors” in the search field)

The National Foundation for Credit Counseling

801 Roeder Road, Suite 900

Silver Spring, MD 20910

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 Services

4 Taunton Street, Suite 5

Plainville, MA 02762

1-800-729-0551

<http://www.accs.org>



# 6

## 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 3 major consumer reporting agencies, with your permission, to evaluate your creditworthiness. Your credit reports can affect your ability to obtain credit, housing and employment.*

#### YOUR CREDIT REPORT CONTAINS THE FOLLOWING DETAILS:

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. How many inquiries have been made and by whom (those entities that have received your credit reports) – which 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.*

#### YOU SHOULD REVIEW YOUR CREDIT REPORT FOR THE FOLLOWING REASONS:

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 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, responsibly using and maintaining good credit.
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 at what interest rate.

*How much the various factors affect your credit score, and what to do about it:*

- **35%** Payment history: Pay at least the minimum balance on time every month.
- **30%** How much you owe on credit accounts in relation to available (unused) credit: Try to keep your balances low on credit cards and other revolving accounts.
- **15%** Length of credit history: Keep some form of credit, even if you pay the amount off every month.
- **10%** New credit: Do not start many new accounts in 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, but this is low in priority.
- 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 SHOULD ORDER COPIES OF YOUR CREDIT REPORTS EVERY YEAR:**

You are entitled to one free credit report annually from each of the national consumer reporting agencies (Experian, TransUnion and Equifax). Use one of the methods set forth in the following [Additional Resources](#) section. (You are also entitled to free copies of your report if you've been turned down for credit based on information in that report.) You can order your free report from all 3 agencies simultaneously, or from a different agency every 4 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>  
By Mail or Phone: Annual Credit Report Request Service  
P.O. Box 105281  
Atlanta, GA 30348-5281  
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> (Type “Free Credit Reports” in the search field)

### **Five Tips for Improving Your Credit Score**

Board of Governors of the Federal Reserve System

<http://www.federalreserve.gov> (Type “Credit Score” in the search field)

### **Credit Reports**

Federal Reserve Consumer Help

<http://www.federalreserveconsumerhelp.gov/index.cfm?nav=9520>

### **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](http://www.helpwithmybank.gov/faqs/credit_report.html)

### **FDIC’s Consumer Protection Tool Kit**

Federal Deposit Insurance Corporation (FDIC)

<http://www.fdic.gov/consumers/loans/prevention/toolkit.html>

# 7

## Section 7

### **Debit Cards: Understanding the Risks Before Swiping Your Card**

*The debit card: it is popular with consumers because it is convenient 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 a credit card transaction, with the debit card, you don’t incur debt with a bill at the end of each month. Instead, the money is withdrawn from your account at the time of the sale.*

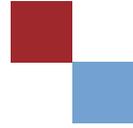
#### **BEFORE USING YOUR DEBIT CARD, YOU SHOULD KNOW THE FOLLOWING:**

1. Many banks offer overdraft protection that will allow you to overdraw your account when making purchases or getting cash with your debit card, and without warning, you can incur overdraft fees and interest charges on the cash advance. Overdraft fees can range from \$25 to \$40 per transaction. (See Section 15, Overdraft Protection, page 39.)
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 tied to a debit card to cover for the estimated cost of charges. So if you go to buy \$20 worth of gasoline and pay with a debit card, the gas station may have a policy where they block \$50 to \$100 in your account. You (unknowingly) will not have access to those funds until the funds are unblocked. Such blocks can range from several hours to several days, depending on how quickly the merchant processes your transaction. And during the time that your funds are blocked, you could incur overdraft fees in the event that you try to spend the blocked funds.

3. If you use a credit card to make a purchase, federal regulations provide consumers with protections, and you may not have to pay if items purchased are not delivered as promised by the merchant. When you pay with a debit card, the money leaves your account right away and any disputes will have to be settled directly with the merchant; the bank will not refund your money.
4. Most debit cards require a personal identification number (PIN) as a security measure for you to gain access to funds in your account. If a thief gets a hold of your debit card and PIN, your account can be completely wiped out. (See number 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: 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 through the unauthorized use of your debit card, you must report the loss to the bank or credit union within 2 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 for as long as 60 days, you could lose up to \$500, except in Massachusetts where the liability is capped at \$50 under state law. And if you wait longer, you could lose everything in your account with no recourse against the bank or credit union. You would also be responsible for all associated bounced check fees. It's important to note that the timing of discovery of an unauthorized debit card transaction is usually based on when you were likely to have received your bank statement. Consequently, if you don't look at your statements immediately when received to detect unauthorized transactions, the issuer of the card may not have to reimburse you.

**IF YOU PLAN TO USE A DEBIT CARD, PROTECT YOURSELF BY DOING THE FOLLOWING:**

1. Vigilantly keep track of your account balance! If you don't overdraw your account, you will avoid expensive overdraft fees and interest.
2. Check with the bank to see if you are enrolled in overdraft protection. Consider asking the bank to remove the overdraft protection, or apply for an overdraft line of credit or automatic debit from a savings account. Again, keep careful track of your account balance.
3. Be careful when using your debit card to make purchases on the Internet. If the goods you purchased are never delivered or are not delivered as promised (it's broken or a different product), your money is gone and you may have little chance of getting it back. You also risk a thief getting access to your bank account.
4. Avoid blocks on your account. Be aware of the merchant's policy when using your debit card to pay for gas, hotel rooms or rental cars.
5. Keep your PIN secure. Don't use a PIN that is easy to guess and don't share it with anyone.
6. If your debit card is lost or stolen, contact your bank or credit union immediately!
7. Most importantly, 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 3 or 4 days; daily is even better. Report any errors or unauthorized transactions to your bank immediately!



## ADDITIONAL RESOURCES

### **Credit and Debit Card Blocking**

Federal Trade Commission (FTC)

<http://www.ftc.gov> (Type “Debit Card Blocking” in the search field)

### **Credit, ATM and Debit Cards: What to Do If They’re Lost or Stolen**

Federal Trade Commission (FTC)

<http://www.ftc.gov> (Type “Credit, ATM and Debit” in the search field)

# 8

## Section 8

### **Debt Collection: Your Legal Rights and Protections; the Rules of Repossession**

*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 5 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 it’s your debt, then the collector cannot contact you until it provides that proof.
2. At any time, you can write a letter to a debt collector instructing the debt 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, then 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 a.m. or after 9 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.

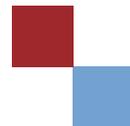
If you think a debt collector has violated your rights or the law, report the collector to your Attorney General’s office or state financial regulator. In most New England states, debt collectors are licensed and regulated at the state level, so call your state’s Attorney General’s office and inquire 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.

## REPOSSESSION: WHAT ARE THE RULES?

*If you finance an expensive item (like a car) with the dealer, or if you borrow money from a lender to make such a purchase, then 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.*

*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. The dealer or lender must have delivered or attempted to deliver that notice, called a “Notice of Right to Cure Default.”
2. If 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 does not require written notice, the 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 into 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, which is important, because you may be liable for the “deficiency balance,” which means 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 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

### Debt Collection FAQs: A Guide for Consumers

Federal Trade Commission (FTC)

<http://www.ftc.gov> (Type “Debt Collection FAQs” in the search field)

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

Federal Trade Commission

1-877-FTC-HELP

<http://www.ftc.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 17, Appendix, page 43.*

# 9

## Section 9

### Debt Management: Consolidating Your Debt and Living Within Your Means

*In these trying economic times, it is especially important to limit and control the amount of debt you have. Here are some tips to effectively manage your debt:*

#### AVOID EXCESSIVE DEBT: KNOW WHAT YOU’RE GETTING INTO WHEN YOU SPEND.

- You are responsible for repaying what you borrow. Managing your budget is the first step to controlling your debt.
- It’s essential that you understand what it means to incur debt. Before you sign a credit or loan contract:
  1. Review your current obligations to see if you can afford to take on any more debt; and
  2. Make sure you know what interest rates and fees you will have to pay for the additional credit. (These costs must all be disclosed to you in advance.)
- Estimate what the debt will mean for you in the long term. Ask questions like, if I had a balance of \$1000 on a credit card, with an interest rate of 25 percent, in 3 years how much would I owe? (If interest is accrued daily, you would owe the original \$1000 plus an additional \$1000 in interest!) Paying only the minimum each month would not greatly reduce this total.
- Use your credit card bill to calculate how much you will pay in interest every month. Multiply the periodic rate by the average daily balance (called the balance subject to finance charge). Then multiply this by the number of days in the month if your interest accrues daily. The result is the amount of interest that accrued that month.

- If you can't pay your credit card balances in full each month, set a limit on how high you will let those balances get before you stop using the card altogether and begin paying down the balance.
- You can monitor your debt and financial growth by tracking your net worth. This is calculated by subtracting your total debt from your total assets.

#### DEBT PRIORITIES: WHICH DEBTS SHOULD BE PAID FIRST?

- Make decisions based on what is best for you, not because of threats from creditors. Often, the collectors making the most noise are the ones with the least real leverage over you.
- Pay secured debt before unsecured debt. **Secured debt** is debt that is backed by collateral like your home, car, or other household goods. These are usually vital items in your daily life. Failing to pay your mortgage may lead to foreclosure, and defaulting on automobile payments may lead to repossession. While it's important to pay unsecured debts such as credit cards, you also may have more ability to negotiate those types of debts since the lender does not hold any collateral (security).
- If you fall behind in your **unsecured debts**, you may want to negotiate with the creditor or with the debt collector. If that does not work and you receive documents from a court, promptly respond in writing to the court and state any defenses that you have. Don't miss any court dates! Rest assured that no judge will order you to make payments that you cannot afford to make.



#### HOW MUCH DEBT IS TOO MUCH DEBT?<sup>2</sup>

There are recommended limits for debt:

- *Housing-related Debt* (Front End Ratio): Your monthly housing expense should not exceed 31 percent of your gross (before taxes are deducted) monthly income.
- *All Debt Payments* (Back End Ratio): Your monthly debt payments (including credit cards, housing, car payments, child support, medical bills, and so forth) should not exceed 45 percent of your gross (before taxes are deducted) monthly income.

#### HOW TO REDUCE YOUR DEBT:

- *Talk to your creditors:* they may agree to lower interest rates and repayment plans.
- *Try to consolidate your debt:* if you have multiple debts, consider refinancing into a single loan in order to combine them into one lump sum payment each month. Potential benefits include a reduction of interest rates and fees. Keep in mind the following:
  1. If your credit is already poor, an agency lender will find it difficult to consolidate without increasing your interest rate or charging you higher fees. If a rate looks too good to be true, it probably is. Make sure you understand all associated fees.
  2. Remember that low-interest balance transfer cards are only short term solutions and can create long term debt problems if not properly managed.

<sup>2</sup> See Section 3, Budgeting for recommended after-tax percentages.

3. Many consumers find that working with non-profit credit counselors is the best plan. Many states license or register debt management companies — call your state banking regulators to see if the company you are considering is licensed.
- *Research whether a Debt Management Plan (DMP) or a Home Equity Line of Credit (HELOC) is a good choice for you. (See Section 5, Credit Counseling, page 16 and Section 14, Mortgages, page 34, for more information.)*
  - *Bankruptcy may also be an option.* Bankruptcy stops all collection actions and foreclosures, and allows you to possibly retain a residence and car (up to certain values). Disadvantages include the loss of your credit cards and some luxury items and a reduction in your credit score for 10 years. (The significance of bankruptcy on your credit report does diminish with time.) Declaring bankruptcy is a major decision, but sometimes it's the best choice in order to regain your financial and mental health.

For any of the preceding suggestions, you could seek help from a reputable credit counselor. **Beware of credit relief scams!** There are many predatory debt management services out there today that advertise on television, radio, online and in newspapers. Avoid any credit relief companies charging upfront or long-term monthly fees. Refer to Section 5, [Additional resources](#), for guidance on getting a reputable credit counselor.

#### ADDITIONAL RESOURCES

##### 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

<http://www.fdic.gov/consumers/consumer/news/cnwin0809/index.html>

*For more information see [Additional Resources](#) in Section 5, page 17.*

# 10

## Section 10

### Foreclosure: How to Avoid It or Where to Seek Help If You are Facing It

*The foreclosure crisis continues to threaten many people across New England. Here are some tips to help you avoid foreclosure:*

1. Most foreclosures occur after one of the following big changes in the borrower's monthly budget. Act immediately if you experience any of the following significant events:
  - Your income is reduced, possibly because of a job loss, over-time 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).

2. If you foresee having difficulty paying your mortgage, look for help before you get into trouble! Contact your lender as soon as possible. Many people believe they must be late on their mortgage payments before they reach out for help. On the contrary, it is generally easier to reach a solution with your lender when you are in good standing.
3. If you foresee having difficulty paying your mortgage, and the lender has not been helpful, 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.
4. You shouldn't have to pay a significant amount for mortgage counseling services. Many non-profit organizations or government institutions offer free services. These organizations usually have no income limits. (See [Additional Resources](#) below). Avoid loan modification consultants who promise to get you better loan terms for a sizable fee.
5. 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.
6. 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, confirm that the lender received them.
7. 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 — that's a bad sign. Consider another counseling service.
8. Mortgage terms can be complicated and confusing. If there is something you do not understand, ask! A good counselor should be able to clearly explain your situation.
9. Be patient. Obtaining a mortgage modification or forbearance may take a long time. Do not use more than one agency at a time: this will merely duplicate efforts and confuse your lender.
10. 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.

#### **ADDITIONAL RESOURCES**

##### **Five Tips to Avoid Foreclosure Scams**

Board of Governors of the Federal Reserve System

<http://www.federalreserve.gov> (Type "Five Tips Foreclosure" in the search field)

##### **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.bos.frb.org/consumer/consumerpubs.htm>

## **You May Be Paying Too Much For Your Mortgage**

Federal Reserve Bank of Boston

1-800-409-1333

<http://www.bos.frb.org/consumer/consumerpubs.htm>

## **Federal Reserve Bank of Boston: Foreclosure Resource Center**

<http://www.bos.frb.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 (Maine Consumers)

Massachusetts Office of Consumer Affairs and Business Regulation

<http://www.mass.gov> (Type “Foreclosure” in the search field)

Massachusetts Office of the Attorney General

Pro Bono Foreclosure Assistance Hotline

1-800-342-5297

1-617-603-1700

Connecticut Division of Banks

Connecticut 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>

# 11

## **Section 11**

### **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 car repair or medical bill. They are expensive, however, and can be risky.*

#### **HERE ARE SOME OF THE MOST COMMON HIGH-COST LOANS:<sup>3</sup>**

**Payday Loan:** Also known as cash advances, check advances or post-dated check loans,

<sup>3</sup> Lenders offering payday loans, tax refund anticipation loans (RALs) or title loans must comply with the federal Truth-in-Lending Act (TILA) requirements. The loan agreement you sign must include the following information:

Total amount financed

Finance charge

Annual percentage rate

Repayment terms, including fees and interest

payday loans are usually short-term loans for small dollar amounts. 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 which provides you with the amount of your tax refund in advance, minus a fee. Note: you can avoid paying the fees for an RAL if you file your tax returns electronically and direct deposit the refund into a savings or checking account. The deposit may only require waiting a few extra days.

**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 proportion of the remaining lease payments. While these agreements enable 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. Possible advantages, however, include: 1) no credit check; 2) no long-term obligation, such as in a credit sale.



#### **FOLLOW THESE TIPS BEFORE YOU ACCEPT A HIGH-COST LOAN:**

1. Call your state banking department or the Secretary of State’s office to make sure the company is licensed.
2. Before you sign any documents, check the Internet for information about the company or its owners. Call the Attorney General’s office or the Better Business Bureau to determine if any unresolved complaints have been filed against the company you are considering. (See Section 17, Appendix, page 43.)
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 residents take new loans to pay for the old loans. This 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 17, Appendix, page 43)

#### **ARE THERE ALTERNATIVES TO HIGH-COST LOANS?**

Yes. Although, in some instances, high-cost loans may be easier to obtain than lower-priced conventional loans, you may be eligible for a more affordable loan. Many consumers who use high-cost loans find themselves paying back much more than they borrowed, potentially losing the title to their cars, or paying on-going fees and interest for loans they could obtain for much less. Before getting caught in a cycle that is hard to break, you should shop around and compare what different lenders have to offer. Consider seeking

assistance from a credit counselor before accepting a high-cost loan, as a counselor may help you find alternatives to high cost products.

#### ADDITIONAL RESOURCES

Contact your state's banking department or Attorney General's office.  
(See Section 17, Appendix, page 43.)

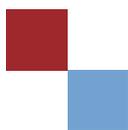
# 12

## Section 12

### 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. HELOCs are secured by your home. If you default, 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 yourself. Unlike 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 for your individual circumstances.
4. A HELOC works differently than other types of mortgage loans. You are allowed to borrow funds up to your credit limit at any time during a time frame, 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 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 what happens after the discount period; your interest rate could go up significantly.
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 2 items in mind and be a careful shopper; compare 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, and debt consolidation. Think about the “life” of what you pay for with a HELOC. If you use it to buy a car, you should repay that amount in the time you would normally be required to if you were to get a car loan. If you use a HELOC to pay off credit cards, get rid of the credit cards or you will run the risk of using them and finding yourself with both debts.
9. Your lender can reduce the amount available to you or even suspend your HELOC. Under certain circumstances (for example, declining home value, loss of job, late payment), your lender can do either of the above.
10. Make sure you read and understand the loan documents, including the fine print. The Truth-in-Lending Act 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.

#### 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/homeequity.pdf>

##### **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](http://www.helpwithmybank.gov/faqs/home_equity_products.html)

##### **Facts for Consumers: Home Equity Lines**

Federal Trade Commission (FTC)

<http://www.ftc.gov> (Type “Home Equity Credit Lines” in the search field)

# 13

## Section 13

### **Identity Theft: Don't Be 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.*

*Here are some tips to 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 for sure 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 containing personal or financial information rather than simply throwing them into the trash or recycling bin.
5. Never share your passwords or personal identification numbers (PINs) with anyone. Make sure your password and PIN numbers are always secure, are not easily guessed (e.g., birth date, pet's name) and preferably memorized.
6. Only carry the credit cards you plan to use. Destroy expired credit cards and close those accounts 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 quickly call all of the card issuers and close your accounts in a timely manner.
7. Do not put your credit card account number, telephone number, driver's license number, or Social Security number on your checks. If possible, use direct deposit for any income.
8. Be aware of your credit card billing cycles and bank statement mailings. Immediately follow up with the bank if statements do not arrive on time.
9. Review your bank account and credit card statements at least once every month for any inconsistencies and unfamiliar activity.
10. Order and review your credit report every year. You are entitled to a free copy of your report annually from each of the national consumer reporting agencies (Experian, TransUnion and Equifax). Stagger your orders so that you are actually reviewing your reports at 3 different 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, [Additional Resources](#), page 19.)
11. Contact the consumer reporting agencies in writing to correct all mistakes immediately.
12. Protect the information on your computer. Update your anti-virus software automatically.
13. Always LOG OUT from your computer when you finish transactions; do not use public computers for personal financial transactions.
14. Always maintain a complex password for access to every electronic device (such as computer, cell phone, smart phone, and so forth).
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 can't take it back.

**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 kept at the post office until you return.

**Wallet Theft:** Pick-pockets can be anywhere. Keep as little as possible in your wallet or purse.

**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 dupe people into divulging personal and financial information. Never give out information to an unknown caller.

#### **HERE IS WHAT YOU SHOULD DO IF YOU THINK YOUR IDENTITY HAS BEEN LOST OR STOLEN:**

- 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.
- Immediately file a police report. You may also file a report with the FBI, U.S. Secret Service, your State's Attorney General, the Federal Trade Commission and the U.S. Postal Inspection Service. (See Section 17, Appendix, page 43.)
- Write to all contacts you speak to on the phone, keep copies of correspondence, record names of people contacted and follow up.
- Place a fraud alert or a file freeze on your credit reports.
- Call the Federal Trade Commission's identity theft hotline: 1-877-IDTHEFT.

Please note that you are entitled to a free credit report if you are a victim of identity theft, have been denied credit, receive welfare benefits, or unemployed. If 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.bos.frb.org/consumer/identity/idtheft.htm>

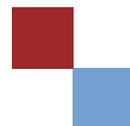
Federal Trade Commission

1-202-382-4357

<http://www.ftc.gov>

U.S. Department of Justice

<http://www.justice.gov/criminal/fraud>



# 14

## Section 14

### Mortgages: Choosing the Right Product; Avoiding Scams; Understanding Reverse Mortgages

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

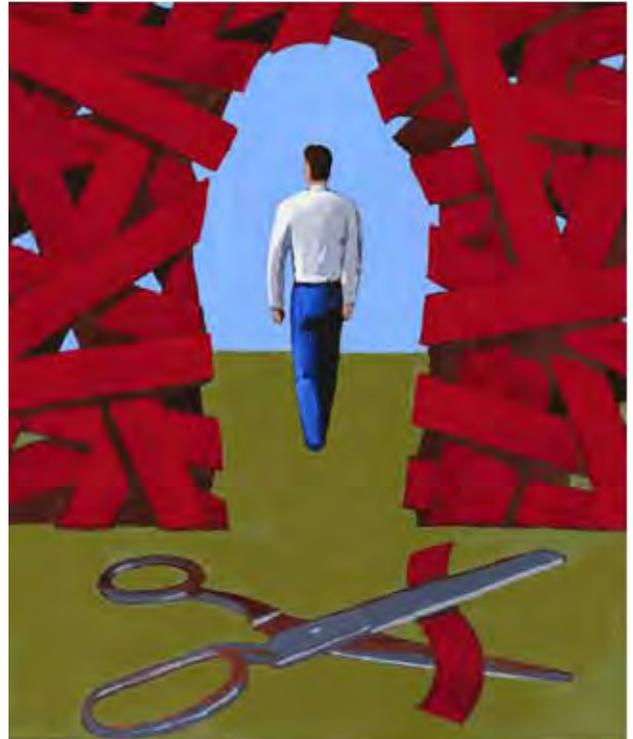
1. Mortgage lenders are not required to give you the lowest mortgage rate available. It is important to comparison-shop and understand the loan terms and associated benefits and risks prior to choosing a product.
2. Ask the Lender if the interest rate on your loan will be fixed or variable. If the interest 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 in 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 non-traditional mortgages, even if you continue to make the required monthly payments, your principal loan balance could go up. If you have a conventional mortgage (a 15- or 30-year fixed rate product), your principal balance will fall every month because you are required to pay interest and principal each month. With some of the non-traditional products, however, such as option ARMs (adjustable rate mortgages) 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. As a result, your loan balance increases and could 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 terms and conditions. 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 and get a better rate in the future: you can't 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 their loan amounts exceed the worth of their homes. So when you are shopping for a mortgage, make sure that the terms are affordable to you now and in the foreseeable future.
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! Lenders offer a variety of products that can make it easy for you to get a house that would otherwise be unaffordable. Before you enter into a mortgage, be sure to understand the risks associated with that loan. Do your homework: evaluate your financial circumstances to determine what you can and

cannot afford before you visit a lender. 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 dealing with anyone offering to help you modify your mortgage or avoid foreclosure. Remember that you do not need a third party to work with your lender – any such party should make the process easier, not harder and more expensive. Consider the following:*

- **Contact your lender or mortgage servicer first.** Speak with someone in the loss mitigation department for mortgage modification options and other alternatives to foreclosure.
- **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 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.
- **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, seek advice from a lawyer or a legitimate financial counselor.
- **Do not sign over your deed without consulting a lawyer 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 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.
- **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.
- **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

*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 to consider the pros and cons before signing on.*

### The Fundamentals

Reverse mortgages are only available to homeowners who:

- Are 62 and older (this restriction applies to everyone on the deed);
- Use the home as their primary residence; and
- Have equity in their home.

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.

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 to the simple interest charged on a traditional mortgage), and the prevalence of significant servicing and lender insurance charges.
- Common fees for reverse mortgages are of 2 types: large upfront or transaction fees often involving many thousands of dollars, and regular, periodic and increasing charges. Interest rates are adjustable and can change monthly. Some of these costs include: origination fees, mortgage premium insurance, closing costs, monthly service fees, and monthly mortgage insurance costs that grow as the loan principal increases.
- Reverse mortgages provide a non-taxable 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.
- The innovation of lender insurance (funded by an accrual that is integrated into the loan costs) will protect the borrowers from future loan balances that exceed the value of the property. Yet, importantly, borrowers should be aware that they may have little or no equity left, and under certain scenarios may have insufficient income from the loan to cope with unexpected and/or increase living and housing costs (e.g., taxes, insurance, deferred home maintenance, healthcare costs, inflation) encountered in future years.
- 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 real estate taxes and homeowners' insurance, and to keep up with repairs and maintenance of the home.

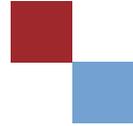
The amount you can borrow depends upon your age, the value of your home, the amount of equity available, the amount of your total existing debt, and interest rates – the higher the interest rate and the higher your existing mortgage and other debt levels, the less you

can borrow. Recent changes have also increased the maximum loan amount to \$417,000 (higher limits may apply in Alaska, Hawaii, Guam, and the Virgin Islands), and the loan origination fees are now 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.

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

- Carefully assess your needs. Before assuming you need a reverse mortgage, crunch the numbers. Factor in your expected expenses and all your sources of income, including an estimate of Social Security benefits.
- 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.
- Seek out 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.*).
- 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.
- 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.
- 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 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.
- 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> (Type "Mortgage Payments Sending You Reeling" in the search field)

### **Five Tips for Avoiding Foreclosure Scams**

Board of Governors of the Federal Reserve System

<http://www.federalreserve.gov> (Type "Foreclosure Scam Tips" in the search field)

*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>

HOPE NOW

<http://www.hopenow.com>

### **Mortgage Modification Resources**

Apply for a government-sponsored loan modification or refinancing. 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: Information to Consider on Benefits and Risks**

Community Liaison (2008)

Office of Thrift Supervision (OTS)

<http://files.ots.treas.gov/481115.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](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. Overdrafts can prove to be expensive. Here are some basic points you should know about overdraft protection:*

1. There are 2 types of overdraft protection: contractual and courtesy. 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 of the terms, should you use a line of credit to cover your overdrafts. The interest rates 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 interest at 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, but depending on your circumstances, this may still be a more cost-effective way of insuring your checks are honored.
- Using a savings account to cover overdrafts could require either a monthly fee or a per-transaction fee. Some banks may require both fees, and some banks may not charge you anything. So, shop around to determine which fee schedule would work for you. Keep in mind, if you don't have enough in your savings account, your checks may be returned unpaid and a non-sufficient funds (NSF) fee imposed.

If you sign up for contractual overdraft protection, do your research and determine whether a line of credit or a savings account is best for you.

1. With courtesy overdraft, known by other names, such 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 pay the transaction.
2. You have a choice as to whether you want courtesy, contractual, or no overdraft protection at all. Make it clear to your institution whether you want overdraft protection attached to your checking account and the type of overdraft protection you want. Keep in mind that different banks may offer the contractual or "courtesy" protection, or both. So, be 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.

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3. 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 line of credit.
  4. Regardless of what type of overdraft protection you choose, keeping track of your account activity will help you save money. Ask your bank if they offer an alert system which would inform you when your account balance is below \$50 to help prevent you from overdrawing your account and incurring fees.
  5. Always make sure the balance on your ATM printout or electronic statement corresponds with your records. As of January 1, 2010, 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.

*If you choose not to have overdraft protection on your checking account, you should know the following:*

1. Checks you write that exceed your account balance will likely not be honored and will be returned to the party to whom they were 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. If you are using your debit card, the bank may honor your transaction, causing you to overdraw your account. The bank may charge a fee that could range from \$25 – \$35 or more per transaction, and you may be charged a high rate of interest on this “cash advance.”

Effective July 2010, banks and credit unions will be 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>

# 16

## Section 16

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

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

*If you received an eviction notice from your landlord due to foreclosure, you should know the following:*

1. Your landlord cannot evict you until after the foreclosure process is completed unless you have violated the lease, 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 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<sup>4</sup> 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.
4. If you do not have a lease or have a month-to-month lease, federal law<sup>5</sup> 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 a 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 5 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.
8. Under Maine law, tenants must be notified of pending foreclosures of their rental buildings.
9. Under City of Providence (RI) ordinance, lenders are required to provide tenants the name and address of the new owner to whom rental payments can be sent. New owners are also required to continue the provision of essential services.



*If your landlord refuses to accept your rental payment, you should do the following:*

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 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.

<sup>4</sup>Title VII of the Helping Families Save Their Homes Act of 2009, P.L. 111-22, which took effect on May 20, 2009 and expires on December 30, 2012.

<sup>5</sup> See footnote 4.

2. If the new landlord does not accept your payment, keep written record of his 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.

*If your new landlord offers you cash to get you to move out early, you should consider the following:*

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, enough time to move, and whether the money offered will cover incidentals such as basic moving expenses, security deposits, 2 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 must be double the security deposit (including interest), or 2 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.

#### **ADDITIONAL RESOURCES**

##### **Good Neighbors Handbook: A Guide for Boston Landlords and Tenants**

City of Boston’s Rental Housing Resource Center

<http://www.cityofboston.gov> (Type “Rental Housing Handbook” in search field)

##### **Is Your Landlord Going Through Foreclosure? What a Tenant Needs to Know**

Legal Assistance Resource Center of Connecticut

[http://www.larcc.org/pamphlets/housing/is\\_landlord\\_foreclosing.PDF](http://www.larcc.org/pamphlets/housing/is_landlord_foreclosing.PDF)

##### **New 2009 Federal Law Protects Tenants in Foreclosed Property**

Statewide Legal Services of Connecticut, Inc.

[http://www.larcc.org/pamphlets/housing/foreclosure\\_act\\_of\\_2009.pdf](http://www.larcc.org/pamphlets/housing/foreclosure_act_of_2009.pdf)

##### **Renters in Foreclosure Toolkit**

The National Low Income Housing Coalition

<http://www.nlihc.org/template/index.cfm>

##### **What Every Tenant in Massachusetts Should Know in This Foreclosure Crisis**

Federal Reserve Bank of Boston

<http://www.bos.frb.org/consumer/tenants/index.htm>

# 17

## Section 17

### 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](mailto: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](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>

##### Vermont

Office of the Attorney General  
109 State Street  
Montpelier, VT 05609-1001  
1-802-828-3173  
1-802-828-3665 (TTY)  
<http://www.atg.state.vt.us>

#### BANKER TRADE ASSOCIATIONS IN NEW ENGLAND

If you are in search of a banking institu-  
tion 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 Association of Community Banks

489 Congress Street  
Portland, ME 04101  
1-207-791-8400  
<http://www.mecb.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)  
1301 McKinney Street, Suite 3450  
Houston, TX 77010  
1-800-613-6743  
<http://www.occ.treas.gov>  
Complaints:  
[Customer.Assistance@occ.treas.gov](mailto:Customer.Assistance@occ.treas.gov)

### **Office of Thrift Supervision (OTS)**

(Regulates Federal and State-Chartered Savings Associations)  
1700 G Street, NW  
Washington, DC 20552  
1-800-842-6929  
<http://www.ots.treas.gov>  
Complaints: 1-800-842-6929  
or [complaint@ots.treas.gov](mailto:complaint@ots.treas.gov)

## STATE BANKING REGULATORS OF NEW ENGLAND

In addition to ensuring that banks and credit unions in their respective states comply with banking regulations, each 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**

One South Station  
 Boston, MA 02110  
 1-800-495-2265  
 (within Massachusetts only)  
 1-617-956-1500  
<http://www.mass.gov/dob>  
 Complaints: Consumer Assistance  
[dobconsumer.assistan@state.ma.us](mailto: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>

**Rhode Island Department of Business Regulation, Banking Division**

1511 Pontiac Avenue, Building 642  
 Cranston, RI 02920  
 1-401-462-9503  
<http://www.dbr.state.ri.us>  
 Complaints: [bankinquiry@dbr.state.ri.us](mailto: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  
 1-888-568-4547  
<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**

New England District Office  
 10 Causeway Street, Suite 447  
 Boston, MA 02222  
 1-617-565-5640  
<http://www.secretservice.gov>

**LEGAL SERVICES****Connecticut**

Statewide Legal Service  
 1-800-453-3320  
 Greater Hartford Legal Aid  
 1-860-541-5000  
 New Haven Legal Assistance  
 1-203-946-4811

**Maine**

Pine Tree Legal Assistance  
 1-207-774-8211  
 Maine Volunteer Lawyers Project  
 1-800-442-4293

**Massachusetts**

Legal Advocacy and Resource Center  
 1-800-342-5291  
 Boston Rental Housing Resource Center  
 1-617-635-7368  
 Greater Boston Legal Services  
 1-800-323-3205

**New Hampshire**

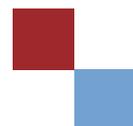
New Hampshire Legal Assistance  
 1-800-921-1115  
<http://www.nhla.org>  
 Legal Advice and Referral Center (LARC)  
 1-800-639-5290  
<http://www.nhls.org>  
 New Hampshire Bar Association — Legal Services Programs  
<http://www.nhbar.org/for-the-public>  
[LegalServices.asp](http://www.nhbar.org/for-the-public/LegalServices.asp)  
 Disabilities Rights Center  
 1-800-834-1721  
<http://www.drcnh.org>

**Rhode Island**

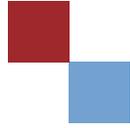
Rhode Island Legal Services  
 Housing Law Center and Eviction Defense Clinic  
 1-800-662-5034

**Vermont**

Vermont Legal Aid  
 1-800-889-2047









 **FEDERAL RESERVE  
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