



CONSUMER ADVOCATE

A publication from the Consumer Protection Section of the Office of Ohio Attorney General Richard Cordray

NEW CONSUMER PROTECTIONS FOR DEBT RELIEF SERVICES

In a change that began October 27, for-profit debt relief companies that sell services over the phone may no longer charge fees before providing their services.

This change is part of a new federal rule designed to stop companies from making false promises of reducing debt in exchange for large, up-front fees.

Every year, consumers report hundreds of complaints about debt settlement companies to the

Ohio Attorney General's Office. Last fall, Attorney General Cordray joined 40 attorneys general in a letter of support to the Federal Trade Commission for stronger regulation of these companies.

In the letter, the attorneys general pointed out that debt settlement and debt negotiation companies routinely over-promise and under-deliver their services to consumers and usually leave consumers in worse financial situations.

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HOW TO IMPROVE YOUR CREDIT SCORE

If you are trying to improve your credit history, first check your credit report to make sure it does not contain errors.

If you have credit in your name, then you should have three credit reports: one from each of the three credit reporting companies—Equifax, Experian and TransUnion. Under federal law, you have the right to check each of the three reports for free once a year at www.AnnualCreditReport.com. Checking your credit score costs extra.

Watch out for other businesses that advertise free credit reports and scores, but are really selling

credit-monitoring services that will cost you.

To regularly check your credit using www.AnnualCreditReport.com, stagger your free credit reports throughout the year. For instance, you might check your Equifax report in January, your Experian report in April and your TransUnion report in August.

If you find errors in any one of your credit reports, contact the respective credit reporting company in writing. (If you find the same error on all three reports, contact all three

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FINDING PROBLEMS WITH FORECLOSURES

Information has recently come to light about how foreclosures are being processed across the country. It appears that, on a mass scale, many homeowners may be being deprived of their private property rights based on phony affidavits and without the due and proper processes of law.

Ohio Attorney General Richard Cordray filed the first lawsuit in the nation against a mortgage servicer over fraudulent affidavits filed in foreclosure cases. The lawsuit charged GMAC Mortgage, LLC and its parent, Ally Financial Inc., of filing fraudulent affidavits to mislead courts in hundreds of Ohio foreclosures.

Cordray is seeking a preliminary injunction that, if granted, would prevent GMAC Mortgage from completing foreclosure sales in Ohio based on fraudulent affidavits and stop GMAC from using faulty affidavit practices in other foreclosure cases in Ohio.

In addition to GMAC, similar concerns have arisen about the accuracy of affidavits filed by others, including Bank of America, JPMorgan Chase, PNC and OneWest Bank.

To investigate this problem, Cordray has joined a multi-state working group made up of attorneys general from all 50 states and banking and mortgage regulators from more than 30 states, including the Ohio Department of Commerce's Division of Financial Institutions.

Together, the group will investigate whether individual mortgage servicers have improperly submitted documents in support of foreclosures and whether other servicing irregularities or abuses have occurred.

Ohio homeowners who have knowledge of foreclosure fraud or questions about the litigation against GMAC/Ally or investigations into other foreclosure fraud can contact the Ohio Attorney General's Office at ForeclosureFraud@OhioAttorneyGeneral.gov.

NEW PROTECTIONS *Continued from page 1*

The new federal rule places certain restrictions on telemarketers who offer for-profit debt relief services, including credit counseling, debt settlement and debt negotiation services. It also applies to calls consumers make in response to most ads for these services, even if those ads appear online, on TV or in print. The rule does not cover nonprofit firms, but it does cover companies that falsely claim to be nonprofit.

The rule specifies that before a debt relief company collects fees, the following conditions must be met:

- The company successfully changed the terms of at least one of the consumer's debts.
- The consumer signed a written agreement with the creditor.
- The consumer made at least one payment to the creditor as part of the agreement.

For settled debts, providers also must charge fees in proportion to the total fee that would be charged if all of the debts had been settled. Alternatively, if the provider bases its fee on the percentage of what the consumer saves as a result of using its services, the percentage charged must be the same for each of the consumer's debts.

Before the consumer signs up for any debt relief service, debt relief companies must disclose fundamental aspects of their services, including how long it will take for consumers to see results, how much it will cost and the negative consequences that could result from using debt relief services.

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companies.) The company has 30 days to respond.

Be wary of companies that offer to lower your interest rates or greatly improve your credit score. Their claims may sound promising, but many will do little or nothing to improve your credit.

You can take steps to improve your credit score yourself, such as always paying your bills on time and keeping your balances below 30% of your available credit limit.

HIGH SCHOOL VIDEO CONTEST

The Ohio Attorney General's 2010 Take Action Video Contest is now accepting submissions from Ohio high school students (grades 9 to 12). Students can compete to win \$5,000 in scholarships by producing 30-second videos promoting Internet safety. To enter a submission or to learn more, visit www.OhioAttorneyGeneral.gov/TakeActionContest.

WHEN TO FREEZE YOUR CREDIT REPORTS

Under Ohio law, you have the right to place a security freeze (or credit freeze) on your personal credit reports.

Placing a security freeze on your credit reports limits the ability of third parties to access your reports and can help protect you from identity thieves who try to open credit accounts in your name.

It can cost \$5 *per report* to place, temporarily lift or permanently remove a security freeze. Therefore, it generally would cost \$15 to add or lift a security freeze for all three of your three credit reports. In Ohio, victims of identity theft may place a security freeze for free.

Additionally, military members who are away from their usual duty station may place an "active duty alert" on their credit report to help minimize the risk of identity theft while they are deployed.

In general, if you apply for a security freeze in writing by certified mail, the credit reporting agency must apply the freeze within three business days of receiving your request. If you apply online, it must apply the freeze no later than 15 minutes after receiving the request. The same timetables would apply for lifting a freeze.

When you place a security freeze, you will be provided a personal identification number (PIN) or password to use if you choose to remove the security freeze or authorize a temporary lift of the freeze. Keep all information related to the security freeze to avoid any delays in lifting or removing a freeze.

If you know you will be applying for new credit in the near future, you may not want to place a freeze on your credit reports, because the freeze could slow the process.

A freeze generally does not apply to circumstances in which you have an existing account relationship with a creditor. It also does not affect your ability to check your own credit report.

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