

CWEALF Publications:

Women & Credit

INTRODUCTION

Have you ever applied for a loan or credit and been denied? Does your credit record contain a negative reference? What can be done about it? This publication provides answers to these questions as well as comprehensive information regarding the laws which protect women from discrimination.

Women traditionally did not apply for credit or were not eligible due to laws restricting women owning property. Women in Connecticut could not get their own credit until 1975! In the last few decades, women have reversed that tradition and many women now have checking and savings accounts, credit cards, mortgages and strong credit ratings. At the same time, credit card companies take advantage of the market of consumers by luring unsuspecting individuals into expensive credit arrangements. Most banks and other lending institutions are still male dominated, and some illegally discriminate against women.

This booklet is designed to aid you in protecting yourself against discriminatory practices, while preparing you to deal with discrimination if it occurs. Should you have further questions following your review of the booklet, please call CWEALF's Information and Referral Program toll free at (800) 479-2949 or in Greater Hartford at (860) 524-0601, Monday, Wednesday and Friday, 8:30 a.m. to 5:00 p.m. and Tuesday and Thursday from 11:00 a.m. to 5:00 p.m.

The use of credit in today's world is pervasive. People charge meals in restaurants, purchases in department stores, and appliances on installment plans. They use the proceeds of loans to buy houses and cars, take vacations and pay for schooling. It is essential that an individual be able to qualify for credit and maintain a good credit rating.

WHY COULD I BE DENIED CREDIT?

Credit worthiness is very subjective. Since every lender has its own credit standards, your loan request can be denied by one institution and be accepted by another.

The amount of bills you have to pay and whether you pay bills on time or have any collateral to offer affects your ability to borrow. Other factors include the length of time you have worked at the same job, whether you own a home, whether you are self-employed and the number of recent inquiries made on your credit file. If you have applied for a lot of credit within a short period, you could be turned down for having too many inquiries. If you have a checking account where you are applying for a loan, the lender may also consider any overdrafts you may have had in its loan decision.

Negative information in your credit file has a major impact on your ability to borrow money, qualify for insurance coverage and, in some cases, get a job. If you are late paying bills, have had your home foreclosed, or your car repossessed, or have declared bankruptcy, you may find it difficult to get credit. When you apply for a loan or credit, prospective lenders often ask one or more credit bureaus for your credit history. Unless you have never taken out a loan or had a credit card, several credit bureaus probably have a computer file that includes some data about your prior loans, payment records, employment and financial history. Credit bureaus do not analyze the data; they only sell it to the credit grantor. The credit grantor then uses this and other information to determine whether you are likely to repay the loan on time.

WHAT ARE MY RIGHTS UNDER THE LAW?

Since the early 1970s, a number of laws have been enacted to protect consumers' credit rights. As a result, it is illegal for a creditor to discourage you from applying for a loan or to refuse to grant a loan if you qualify for it. In Connecticut, a creditor cannot lend money to you on terms different from those offered to another person with similar credit characteristics, on the basis of age, gender, marital status, race, color, religion, national origin, or sexual orientation. Federal laws also prohibits lenders from requesting certain information on credit applications. For example, a creditor cannot ask your gender or require a title such as Mr., Mrs., or Ms., unless the loan will be used to buy or build a home. Creditors are allowed to require that you disclose your age, as that may affect your ability to repay a loan. For example, they may consider the number of years remaining before retirement or how long your present earned income will continue.

There are two federal laws and a state law which protect your ability to obtain credit and your credit history:

The Equal Credit Opportunity Act (ECOA) [15 U.S.C 1691 et. seq.] prohibits a creditor from discriminating against you on the basis of sex or marital status in any aspect of a credit transaction. The ECOA also forbids discrimination on the basis of your race, color, age, national origin, religion, because you receive public assistance, or because you exercised rights under the federal consumer protection laws.

If a prospective lender denies your loan request, the ECOA requires the lender to tell you why. If the lender's decision was based on unfavorable information obtained from a credit bureau, the law requires the lender to furnish the name and address of the credit bureau.

The Fair Credit Reporting Act (FCRA) [15 U.S.C. 1681 et. seq.] protects consumer privacy and safeguards the accuracy of credit bureau reports. Congress enacted the FCRA in April, 1971 to establish guidelines for credit bureaus, credit reporting agencies and creditors to follow in reporting an individual's credit history in addition to giving consumers certain rights.

Commission on Human Rights and Opportunity Act (CHRO) Sec. 46a-66.
(Formerly Sec. 36-437), prohibits discriminatory credit practices.

(a) It shall be a discriminatory practice in violation of this section for any creditor to discriminate on the basis of sex, age, race, color, religious creed, national origin, ancestry, marital status, sexual orientation, mental retardation, learning disability, blindness or physical disability against any person eighteen years of age or over in any credit transaction.

(b) No liability may be imposed under this section for an act done or omitted in conformity with a regulation or declaratory ruling of the Commissioner of Banking, the Federal Reserve Board or any other governmental agency having jurisdiction under the Equal Credit Opportunity Act, notwithstanding that after the act or omission the regulation or declaratory ruling may be amended, repealed or determined to be invalid for any reason.

HOW DO I ESTABLISH CREDIT?

Build Your Credit File

- ◆ If you have never had credit, start building a good credit record now. A local bank or department store may approve your credit application even if you do not meet the standards of large creditors. But do not apply for too many accounts at one time. Credit bureaus keep a record of each creditor who inquires about you. Some creditors may deny your application if they think you are trying to open up too many accounts and may exceed your ability to pay them.

- ◆ If you have had credit before under a different name or in a different location, make sure your local credit bureau has completed accurate information about you in a file under your current name. Most cities have two or three bureaus. Call each bureau to find out if they have a file on you. They may charge a small fee for checking your file.

- ◆ If you are married, you have the right to apply for a credit account in your own name based on your own financial qualifications.

- ◆ If you were married or divorced recently and changed your name, ask your creditors to change your name on your accounts. Once you verify that these accounts are in your new name, your complete credit history should be reported correctly to the credit bureau.

- ◆ Obtain and use a secured credit card.

- ◆ Take out a loan. Have someone with good credit sign with you. Make timely payments.

Give Your Best References

- ◆ List your best credit accounts, open and closed, on any credit application. If you are/have been married, list accounts you shared with your husband/former husband.
- ◆ Ask the creditor to consider the credit history of accounts that are reported in your husband's or former husband's name only. The creditor must consider this information if you can show it reflects your ability to manage credit. For example, you may be able to show through cancelled checks that you made payments on an account, even though it is listed in your husband's name or former husband's name only.
- ◆ Offer to assist the creditor in providing verification of your credit references when an account history does not appear in a credit bureau report. If you can show a credit history applied to you, even though it was in your husband's or former husband's name, the creditor must consider it. Be aware, however, that if your husband's credit history on a shared account was bad, the company will consider that credit history yours as well. If any previous history was unfavorable but does not accurately reflect your creditworthiness, explain this to the creditor.

Credit History for Married People

The ECOA states that when creditors report histories to the other creditors, they must report information on accounts shared by married couples in both names. This is true only for accounts opened after June 1, 1977. If you and your spouse opened an account before that time, ask the creditor to use both names.

YOUR CREDIT REPORT

Each time you apply for a loan or credit card, your credit record is evaluated. Lenders get information on your credit history from credit bureaus. Credit bureaus maintain information on your credit obligations and bill paying habits. Credit bureaus do not rate credit or make credit decisions. Lenders use the information in the credit report to measure creditworthiness.

What Is In My Credit Report?

A credit report usually contains:

- ◆ *Identifying Information.* This may include your name and that of your spouse, current and former addresses, gender, marital status, number and age of dependents and Social Security number.

- ♦ *Employment Information.* This includes your position, employer, length of employment, salary and former employers.
- ♦ *Public Records Information.* Public records are bankruptcies, liens and judgments.
- ♦ *Credit Information.* This can include the date the loan or credit account was opened, term or monthly payments, balance owed and lateness in paying bills.
- ♦ *Inquiries.* These indicate who has made recent inquiries about your credit. This includes both inquiries initiated by you while applying for a loan and pre-screening for promotional purposes.

Credit reports can be confusing and difficult to read. On the back of the credit report will be a key that explains the codes on the front of the report. If you do not understand the credit report, contact the credit bureau that provided it. The FCRA requires that the credit bureau explain it to you.

How Do I Get a Copy of My Credit Report?

Most people wait until they are denied credit to check their reports. It is a good idea to review your record at least once a year even if you have not been denied credit. That way, you may avoid a nasty surprise the next time you apply for a loan, insurance or a job.

You can get a free copy of your credit report if you have been turned down for a loan within the past 30 days. The rejection letter will include the name and address of the credit bureau. You may receive a summary of your file by phone or in writing. Call the credit bureau for more information.

If you have not been denied credit, you may order a copy of your credit report for a fee, usually \$15 to \$20. The three major credit bureaus are Equifax, Inc., TransUnion Credit Information Co. and TRW Inc. (see Resource Section for addresses and phone numbers). You should get a copy of your report from each of the major credit bureaus. While most large banks and financial companies report your credit activity to all of the major credit bureaus, not all institutions do so. As a result, each credit bureau may have different information. Check a local phone book for the phone numbers and addresses of the credit bureaus.

Why Should I Review My Credit Report?

Credit bureaus are not responsible for the information in your report. They are clearinghouses for the information sent to them by lenders. According to federal law, you have the right to correct errors in your credit file. Credit bureaus must investigate any disputed information, usually within 30 days after you point out the error to them.

The credit bureau must delete any information from the report that cannot be verified. The credit bureau will also change any information the lender agrees is in error. Check the report to make sure corrections were made. Also make sure that the lender has changed its records. Sometimes the credit bureau may correct your report, but the lender does not correct its file. As a result, the next time the lender sends an update to the credit bureau, the error goes back into your report. It is important that you contact the institution and credit bureau(s) to correct any errors. Also, send the identical information to all major credit bureaus because chances are, they all will show the error. If this does not resolve the issue consider contacting the Federal Trade Commission (see Resources).

If you find an error in the credit report, write both the credit bureau and the institution whose account is in error. Be sure to write a letter to both places; a phone call is not enough.

As for errors, credit agencies say there are remarkably few considering that there are 150 million “credit-active” Americans who obtain or use credit more than a million times a day. According to industry statistics, less than half a percent of the nine million requests for credit files each year require an update or correction of an error.

Still, “inaccurate or incomplete information can find its way into an individual file,” says Paul Richard, Vice President of the National Center of Financial Education, a San Diego-based education group. Common inaccuracies include bad debts of another person with a similar name, tax liens or judgments that have satisfied, or disputes with merchants that have been resolved.

Even if the adverse information is accurate, it is better to know it is in the file before asking for credit. Potential lenders are apt to be more sympathetic toward people who bring the matter to their attention and offer a reasonable explanation.

Generally, people who want an agency to mail a copy of their report should send a written request, including their name, address, date of birth and Social Security number and a copy of their driver’s license or a bill showing name and address. Files can also be reviewed in person at one of the credit bureau’s offices.

For those who really want to be up-to-date on what their credit report contains, TRW offers a service called Credentials. For \$35 a year, subscribers can get unlimited copies of their credit files. Requests can be made by phone and every subscriber has an identification number for security. TRW’s Credentials services also provides subscribers with a registry to keep track of credit-card numbers in case of loss or theft, and notification whenever someone requests a copy of their file.

What if Creditors Have Failed to Supply Information?

If this happens, or if you have never had credit in your own name, a “no-file” report can cause your application to be rejected.

For example, if you become separated, divorced or widowed, or simply want credit in your own name, a credit bureau may report that “no-file” exists for you. You might

have a great credit history, but it is all in your husband's name. You may have the same problem when you marry and change your name. Old accounts held in your maiden name may not automatically be transferred to a file listed under your married name. For all practical purposes your credit history is lost. Therefore, it is important to check with the credit bureau after a name change to ensure that old account information has transferred to a file under your new name.

For your own protection you should learn how to prevent credit history "evaporation." There are steps you can take to fill an empty file with your past credit history or to build a file with new information.

What Happens if I Become Separated, Divorced or Widowed?

To ensure that you are protected should you become separated, divorced or widowed, find out what kind of credit accounts you have. You can either check the credit application(s) or ask creditor(s). There are two basic kinds of credit accounts:

- ♦ *An individual account.* When you apply for an individual account, only your own income, assets, and credit history are considered by the creditor. Whether married, single or living with a partner, you alone are responsible for paying off the debt on this account. The account will appear on the individual's credit report.
- ♦ *A joint account.* The income, financial assets and credit history of both spouses or partners are taken into consideration for a joint account. No matter who actually handles the household bills, both spouses or partners are responsible for seeing that all debts are paid. As reported earlier, a creditor who reports the credit history of a joint account to credit bureaus must report it in both names (if the account was opened after June 1, 1977).

If you are in the process of separating or getting a divorce, you should immediately cancel your joint credit card account(s). While any account balance remains your mutual responsibility, canceling the account(s) will prevent further use or abuse of the card(s) that, if left unpaid, could damage both of your credit reports.

Under the ECOA, a creditor cannot automatically close or change the terms of a joint credit card account solely because of the death of your spouse. However, in some instances a creditor may ask you to update your application or reapply. This can happen if the account was initially granted based on all, or part, of your spouse's income and if the creditor has reason to suspect your income is inadequate to support the credit line.

WHAT DO I DO IF I AM DENIED CREDIT?

If you receive a notice that your credit application was denied, the ECOA gives you the right to know the specific reason for the denial. If the denial was based on a credit report, you are entitled to know the specific information in the credit report that led to the

denial. After you receive this information from the creditor, you should visit or telephone the local credit bureau to find out what information was reported.

- ♦ Act promptly. If you act within 30 days of being denied a loan because of a credit report, you are entitled to the summary free of charge. Otherwise, bureaus may charge a reasonable fee, usually \$15 to \$20. Many experts believe this is money well spent and suggest you undertake a credit check to see what your file contains. The FCRA allows you to do this at any time, subject only to the small fee.

In addition to providing this information, a credit bureau is required to help interpret it. The bureau also must tell you where it received the information, except for data used solely in investigative reports. They must also give you information of the last six months and the names of employers who received a copy during the past two years.

- ♦ If you disagree, challenge the report. After hearing or reading the summary, you have the right to challenge the accuracy or completeness of any item. If the bureau cannot verify any relevant information within a reasonable time, it must delete that information from its files.
- ♦ Determine how old any adverse information is. Bankruptcies may be reported for ten years, but in most instances, the law forbids reporting lawsuits, judgments or tax liens more than seven years. If you have settled a judgement obtained against you, that fact should also be noted on your credit report.
- ♦ Make sure all report recipients were entitled to see it. Access to your credit file is strictly limited. A credit report will only be furnished in response to a court order, your written request or evaluation for a credit transaction, employment, underwriting of insurance or other legitimate business need.

Any unauthorized person who secures a copy of your credit report under false pretenses and any bureau employee who knowingly and willfully supplies a credit report to an unauthorized person, may be fined up to \$5,000 and imprisoned for one year. You may want to seek legal advice about the merits of filing a civil lawsuit for damages.

If you think a credit bureau has broken the law, contact the Federal Trade Commission (FTC) in Washington D.C. or the regional FTC office nearest you (see Resources). By taking the time now to exercise your rights under the FCRA and ECOA you may save yourself considerable trouble in the future.

HOW DO I AVOID CREDIT ABUSE?

Advertisers are constantly deluging the American public with products it “simply must have.” This, and human weakness, makes it all too easy to abuse our liberal credit privileges. Unless you develop a plan for paying your debts, frustration and bad credit can easily result. By developing a work sheet listing the names of creditors, dates last paid, when balances are due, interest rates being charged, monthly payments and totals due, you can begin to address your credit obligations. Be sure to list all consumer debts, noting the maturity dates for non-revolving charges. Ask yourself, could you pay off all your debts within an 18-24 month period? If not, you are probably exceeding your credit limit.

If, after completing such a worksheet, you find the need to trim spending, try the following:

- ◆ *Analyze expenses.* Determine what you are spending and where. Look for areas that can be cut back, at least temporarily, to free cash and pay off debts.
- ◆ *Reduce or eliminate use of credit cards.* They are convenient to use only when you can afford to pay them off.
- ◆ *Establish and stick to a self-imposed repayment schedule.* Start repaying the debts that carry the highest finance charges and eliminate those cards which have high annual fees.
- ◆ *Use self-discipline.* Keep spending under control. It’s the safest and surest way to avoid long-term credit debt.

Credit can be an important lifeline in the event of a crisis, such as a temporary or permanent loss of employment, or other financial difficulties. If you have used all your credit, you have removed a valuable cushion of security.

WHAT ARE CREDIT CARD DANGER SIGNS?

Credit cards give you the luxury of buying things you do not need now. . . at prices you cannot afford now. . . with money you do not have now!

The following are signs that you may be abusing credit cards:

- ◆ You do not know how much your debt is and you are afraid to add it up.
- ◆ You hide the bill from your spouse until a “good time” comes up.
- ◆ You pay the minimum or less on charge cards each month.
- ◆ You juggle other bills to make minimum monthly payments.
- ◆ You have reached the credit limits on your charge cards.

- ◆ You borrow for items you once bought with cash.
- ◆ The portion of your income used to pay debts is rising.
- ◆ Your debt based on expected income increases.
- ◆ You do not contribute to savings or have no savings.
- ◆ Your monthly credit card balance increases regularly.
- ◆ You are usually late in paying your bills.
- ◆ You borrow money to pay for usual household expenses.
- ◆ You borrow money from new sources to pay older debt.
- ◆ You apply for more credit cards to increase your borrowing limits.
- ◆ You have significantly increased credit card usage in the past year.
- ◆ You draw on savings just to pay regular bills.
- ◆ You do not have emergency funds to cover expenses for three to six months.
- ◆ Creditors are sending you overdue notices.
- ◆ You pay bills with money marked for other goals.
- ◆ More than 18% of your after-tax income goes for consumer debt.
- ◆ You hurry to the bank on payday to cover checks written.
- ◆ You use cash advances from one card to pay others.

HOW DO CREDITORS DETERMINE A BORROWER'S CREDIT WORTHINESS?

The traditional criteria for appraising a potential borrower's credit worthiness are referred to as the 3 Cs of credit:

- ◆ Capacity
- ◆ Character
- ◆ Collateral

Income, expenses, length of employment and occupation are considered in determining capacity to repay. Character is judged by credit history, whether you own or rent a home and how long you have lived there. Finally, creditors may seek collateral for security in case their assessment of your character and capacity to pay should prove faulty.

Some creditors set unusually high standards. Others simply do not make certain types of loans. Creditors also use different rating system. Some rely strictly on instinct and experience. Others use a "credit-scoring" or statistical system to predict a good credit risk.

They assign points to each of the various characteristics that have proved to be reliable signs that a borrower will repay. Then they rate a person based on this scale. Therefore, different creditors may reach different conclusions based on the same set of facts. One may find you an acceptable risk, while another may deny you a loan.

Regardless of the method by which the lender reaches a credit decision, your personal credit history will be an important factor in determining whether you receive credit. If you are trying to establish a credit history for the first time as many college students, recent graduates, and nonworking spouses must do, start by opening savings or checking accounts in your own name. Next, apply for a department store or oil company credit card.

Another option is to enlist someone to co-sign or guarantee a loan for you. Many creditors will lend to first-time borrowers only if the loan is guaranteed by someone with an established credit history. It is important that this loan be repaid promptly or even paid off early.

Will the creditor be able to deny me credit if I am over age 62?

Under the federal Equal Credit Opportunity Act (ECOA) it is against the law to deny or terminate existing credit simply because of your age. However, a creditor can use your age to determine your credit worthiness – such as are you close to retirement and a lower income?

What may impact you is if you do not have a “credit history.” If your spouse or former spouse and you had accounts together you can ask the creditor to consider the credit history of those accounts to assist you in establishing credit.

If you are denied credit, you have the right to know why. If you believe you have been discriminated against, contact CWEALF’s Information & Referral Program listed in the Resource section.

HOW DO I REPAIR MY CREDIT?

Along with the proliferation of charge cards and the wide availability of credit, there are many businesses and organizations dedicated to collecting and reporting data on an individual’s credit and debt repayment history. This information is made available to merchants and others who will pay for it.

Because this activity is now highly automated with a nationwide network of reporting offices and well over 150 million credit files, incorrect or incomplete information can easily get into a credit file and stay there.

A nonprofit organization, the National Center of Financial Education (NCFE), has developed a Do-It-Yourself Credit Repair Kit especially for consumers. The complete kit costs \$7 (postage paid) and has a money-back guarantee if you are not satisfied. The kit

contains a simple step-by-step file, five sample dispute letters, an example of an illegal credit inquiry and much more. (See Resources).

How Can I Resolve a Credit Problem?

Sometimes a variety of circumstances combine to cause a cash flow crisis and the result is an over-extension of credit. This can lead to emotional and relationship problems in addition to financial turmoil. When a person has reached this situation, there are several steps to be considered:

- ◆ Immediately stop using credit.
- ◆ Evaluate the extent of the problem by listing your debts.
- ◆ Consider declaring bankruptcy. Bankruptcy is used to protect assets from creditors. If you have no assets, and are not working, it may not be necessary.
- ◆ Seek the services of a credit counseling service.
- ◆ Develop your own debt resolution worksheet.

What are Credit Counseling Services?

In many areas there are credit counseling agencies which can provide help. These are nonprofit organizations, frequently affiliated with local United Ways and other services coalitions. If you are not aware of them, call Infoline (211) and ask for a referral.

Generally these groups help the consumer straighten out the credit and budget situation for a nominal fee. These groups attempt to:

- ◆ Have merchants and creditors suspend collection efforts.
- ◆ Have creditors suspend all interest charges.
- ◆ Collect one check each pay period from the debtor.
- ◆ Make monthly disbursements to the creditors.

What are Credit Repair Firms?

In the 1980s a credit repair industry emerged. Fraudulent firms and other scams, also known as credit doctors, also began to appear. These businesses offer an unnecessary and very expensive service to unsuspecting consumers to help improve credit worthiness, reestablish credit, and even issue credit cards. Charging fees from \$100 to \$500, the majority of these so-called credit doctors are unqualified and fraudulent. People in all parts of the country have paid hundreds of thousands of dollars to these firms which advertise in the Yellow Pages and are soon out of business.

How Do I Develop My Own Debt Reduction Resolution?

If available, local agencies are recommended. If there is not a local credit counseling service, you can try to negotiate an arrangement. Here are the steps to follow:

- ◆ Develop a complete list of all debts. This includes the names and addresses of the creditors, account numbers, the current amount owed and the monthly payment expected.
- ◆ Prepare a budget. Allocate income to cover fixed monthly expenses, variable monthly expenses and a sinking fund for the periodic expenses which come up annually or semi-annually.
- ◆ Stop using credit cards and charge accounts entirely. If you are concerned about temptation, destroy the cards.
- ◆ Send a letter to all creditors requesting a special payment arrangement. If they do not respond in writing immediately, insist that they do so. Otherwise you may amass a large amount of calculated interest.

Sample letter to a creditor:

To Whom It May Concern,

I am asking for your help as one of my creditors in order to pay all my accounts in full and avoid bankruptcy. As a result of significant medical bills, coupled with a temporary reduction in income (indicate your particular situation), a negative financial situation has developed. Here is a summary of my circumstances:

My net take-home pay is \$ _____ per week. My rent and fixed utilities total \$ _____ per week (or per month).

Attached is a list of all my accounts payable. (list accounts)

I have instituted a rigid budget, but without the help of my creditors, it is impossible for me to make the payments which are being requested of me. As part of my financial repayment plan, I have decided to stop using all charge accounts and credit cards until all have been paid in full.

What I am asking you to do is to suspend all interest charges and accept a payment of 1/24th of your current balance of \$_____ each month for the next 24 months. If this is acceptable to you and each of my other creditors, I will be sending you a check each month in the amount of \$_____ until the account is paid in full.

Please acknowledge in writing your willingness to accept this debt repayment plan. Thank you for your help and cooperation.

Sincerely,

Name

HOW DO I AVOID FORECLOSURE ON MY HOUSE?

Foreclosure is the legal means that a mortgage company may use to get ownership of your house when you do not make the monthly mortgage payments. When foreclosure takes place, the mortgage company becomes the owner of your home. You and your family must then move into other housing.

If you have fallen behind in your housing payments, or if you think you will not be able to keep up the payments, you should follow these suggestions immediately. Even the difference of one day might determine whether you keep or lose your home.

What Can I Do to Save my Home?

- ◆ Call your mortgage company and ask for the Collection Department. Tell the company representative you would like to talk about your mortgage payments. Have your mortgage account number available when you call. Explain that you know the payments are overdue, why they are overdue (job loss, unexpected medical bills), and when you expect you will be able to make regular payments again. You may be asked other financial questions needed to evaluate the situation.

- ◆ If you cannot telephone the mortgage company, write to them. Briefly explain the reason why you cannot make the mortgage payments. In your letter, include the telephone number(s) where you can be reached, the loan number assigned by the company, and the address of the property (it may be different from your mailing address). Ask in your letter that a representative of the company get in touch with you as soon as possible. It is a good idea to send the letter by certified mail, return receipt requested.

When the mortgage company gets in touch with you, cooperate with them to the fullest extent. Be prepared to explain why you cannot keep up the payments and the details about your current and expected future income. Without this personal information, the mortgage company may not be able to help. Above all, be honest and give correct information. Do not promise to make payments which you know are too high. It is better to make smaller, consistent payments.

- ◆ Call a housing counseling agency if there is one in or near your community. The U.S. Department of Housing and Urban Development (HUD) has approved more than 475 such agencies and provides funds to some for the purpose of counseling homeowners who cannot keep up payments on mortgages insured by HUD. If you do not know whether HUD has insured your mortgage, the mortgage company can tell you. However, many housing counseling agencies offer counseling to anyone.

You may obtain information about the location of housing counseling agencies from a number of sources:

- ◆ Your mortgage company
- ◆ Any local HUD office
- ◆ Any local housing authority
- ◆ INFOLINE (211)

Call the counseling agency and tell them you cannot maintain monthly house payments. Ask for an appointment to discuss your problem with a housing counselor. You will find the personnel of these agencies trained and skilled in assisting persons faced with the possibility of losing their homes through foreclosure.

If you cannot obtain assistance from your mortgage company or a housing counseling agency, call the nearest HUD office and ask to speak to a loan servicing staff person. This person may be able to help work out a plan with the lender. Also ask about HUD's mortgage assistance programs. This may be another alternative to avoid foreclosure. If your mortgage is not insured by HUD, you must call your mortgage company or a housing counseling agency for assistance. HUD has the authority to work only with mortgage companies that handle FHA insured mortgages. If you bought your home with a Veterans Affairs (VA) guaranteed loan, call the VA office nearest you.