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## Consumer Protection in Arkansas - Financial

**Credit Reporting:** Your credit report is a comprehensive record of your credit history. It includes the date credit accounts were opened, amount, balance owed, status of the account, your payment pattern and date of the last activity, as well as public records, such as whether you have been sued, subject to a tax lien or filed for bankruptcy.

Creditors regularly report this information to credit bureaus. If you default on a loan, that information can remain on your credit report for up to seven years. A bankruptcy can remain on your report for 10 years. You should check your credit report at least once a year, or before making any major purchases which require financing. Once you receive your credit report, check to see that information is accurate and that no one is using your name and credit for fraudulent purposes. If you find any information that is inaccurate or obsolete, you can have that information corrected or removed.

You can obtain a copy of your credit report for free. Everyone is allowed one free credit report per year from each of the three major credit bureaus. To learn how to obtain your free annual credit report under federal law, please visit: [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com).

Here is the contact information for the three major credit reporting bureaus:

- **TransUnion:** (800) 680-7289; [TransUnion.com](http://TransUnion.com); P.O. Box 2000, Chester, PA 19016
- **Experian:** (888) 397-3742; [Experian.com](http://Experian.com); P.O. Box 9554, Allen, TX 75013
- **Equifax:** (800) 525-6285; [Equifax.com](http://Equifax.com); P.O. Box 740241, Atlanta, GA 30374

**Credit Reporting Errors:** If you believe that information on your credit report is inaccurate or outdated, you can dispute that information. Your dispute will be investigated by the credit reporting agency. There is no charge for this service. Even if you do not suspect that any information on your credit report is inaccurate or outdated, it pays to periodically check.

### Steps for Error Correction:

- Get a copy of your credit report and review it. It is free.

- Determine if any items in the report are inaccurate or outdated.
- Write to the creditor and all three major credit bureaus explaining the problem with the item.
- **Send all letters by certified mail, return receipt requested and keep a copy of the letter and of any other documents you send.**
- Keep all your original documents, especially receipts, sales slips, and billing statements.
- Be persistent. It may take more than one letter to correct a credit problem.
- Within 30 days, the credit reporting agency must investigate your claim and update or delete any inaccurate item. The credit reporting agency must notify you that the investigation has been completed, as well as provide you with a revised report.
- In some cases, the reporting agency may maintain that the information is correct. If this happens, you can provide up to a 100-word statement explaining why you believe there is an error. Your statement is included in future credit reports.

**Credit Repair Scams:** A good credit report is one of the most important bargaining tools a consumer can possess. Yet, for a variety of reasons, some people develop a poor credit history. They may become targets for con artists that prey on the consumer's desperate need for a good credit history by promising to restore their credit.

Many of these con artists call themselves credit repair companies and advertise that they can "Erase bad credit! 100% guaranteed" or provide a "Fast and easy way to get rid of bad credit history." They charge from \$50 to \$1,000, or more, to "fix" a credit report. Most of the time, companies will simply take your money and do little or nothing to repair your credit.

Realize there are no easy or quick ways to repair negative, but accurate, credit history. Only time and diligent attention to prompt payment of credit balances can repair it. This is true even if past credit problems were due to illness or unemployment or some other factor beyond your control.

The Federal Credit Repair Organizations Act prevents a for-profit organization from charging or accepting upfront fees for "credit repair." The law also mandates that a credit repair organization give you a copy of your "Consumer Credit File Rights Under State and Federal Law."

Organizations are prohibited from making false claims or promises about their services, charging before the promised services have been completed and performing any services until you sign a written contract and have completed a three-day waiting

period. During this time, you can cancel the contract without paying any fees. Ultimately, anything a credit repair organization can do for you legally, you can do for yourself at little or no cost.

**Credit Cards:** Credit cards are essentially pre-approved loans. When you charge something on a credit card, the bank issuing the card lends you the amount of the charge and you repay the loan as you have promised in the agreement you signed to open the account. Credit cards are not free, the more you spend on interest and fees, the less you have to buy the things you want and need. Credit cards may also have cash-advance fees, and late payments incur additional fees.

Credit cards offer the convenience of a revolving line of credit, with applicable interest charges. Shop for the lowest interest rate. Some credit cards are offered with interest rates as high as 30 percent or more. If you do not promptly pay the full balance when using such a credit card, the interest charges you incur will continue to increase. Some credit cards are initially offered with an attractive interest rate that is only an “introductory” rate, and the interest rate increases significantly after a short period of time. If you maintain a balance, you get stuck with high interest costs. Some credit cards charge annual fees as much as \$100 or greater.

**Tips:**

- It is best to pay off your balance every month. If you do not, you will be paying interest on any remaining balance which will greatly increase the effective cost of the items you have purchased with the card.
- Do not get hooked on minimum payments. It will cost you more and take you longer to retire debt.
- Avoid late payment penalties by always paying at least the minimum balance on time.
- Open monthly statements promptly and compare them to your receipts. Report mistakes or discrepancies as soon as possible to the address listed on your statement. Under federal law, the card issuer must investigate errors if you report them within 60 days of the date the statement was mailed.
- Keep a record of your account numbers, expiration dates and telephone numbers of each card issuer so you can quickly report a loss.

**Illegal Payday Lending:** Payday lending is the practice of extending short-term loans at high annual percentage rates. It also includes so-called “installment” loans with longer terms, which carry high interest rates. Though all storefront payday loan operations in Arkansas have been shut down, these usurious loans are still available on the internet. Most online payday lenders have “roll-over”

provisions that direct most, if not all, of a debtor's payments toward loan fees without reducing the amount borrowed.

Payday loans usually have triple-digit interest rates or high fees, even if the fees are not called "interest," short terms with payment due within a month, and direct access to your bank account via check or electronic access.

**Check Cashing:** Consumers without bank accounts may find it necessary to use a check casher to cash a third-party check, such as a payroll check or Social Security check. It is important to shop around for the best price. Check cashing fees can make the cost of accessing your money higher than it should be. Make sure the check casher discloses its fees to you before you do business with them. Also, some retailers in your area may be willing to cash your check for a fee which is much lower than the fees usually charged by a check casher. Check with them first before you consider using a check casher.

**Taxes:** Filing your tax return is not optional. While many people choose to prepare their own taxes, some seek the assistance of a tax preparation service. Before using a tax preparer:

- Compare the prices and fees of multiple preparers. Prices can vary significantly.
- Check to see if you are eligible for one of the free options.
- Check the qualifications and reputation of the person handling your personal information.
- Ask whether your tax preparer is open throughout the year in case you or the IRS have follow-up questions.

**Free Tax Preparation:** Many Arkansans can utilize the IRS's Free File program. This web-based program is a free federal tax preparation and electronic filing program for the approximately 70% of taxpayers who earn less than \$73,000 in annual adjusted gross income. Eligible consumers can go to [IRS.gov](https://www.irs.gov) and choose from multiple private companies that will file federal returns at no charge. If you cannot afford to pay for tax preparation assistance, you may also be eligible to receive free help through the Volunteer Income Tax Assistance Program (VITA). Consumers can call (800)-906-9887 or email [partner@irs.gov](mailto:partner@irs.gov) for information about VITA volunteer locations near them. Additionally, seniors can contact AARP at (888) 687-2277 to find the nearest TCE Tax-Aide site.

Military members and their dependents have several tax prep services available to them. Visit Military One Source online or the Office of the Staff Judge Advocate for additional information about these services.

**IRS Scams:** Several Arkansans have reported telephone calls from purported Internal Revenue Service (IRS) agents demanding the consumer pay back taxes immediately to avoid being arrested. These con artists sometimes alter the display of your caller ID to make the call seem more legitimate. Beware as these calls can sound authentic and convincing. Remember that no government entity, including the IRS, will ask for your personal financial information through an unsolicited phone call or email. Consumers should know the IRS will not do the following:

- Contact you regarding payment or taxes without having mailed a letter to you first.
- Demand payment on taxes without allowing opportunity for question or appeal.
- Require a specific method of payment for taxes, such as a prepaid debit card or a wire transfer.
- Ask for credit or debit card numbers over the phone.
- Threaten to contact local police or other law enforcement to have you arrested for the absence of payment.

What should I do if I receive a bogus IRS call? Helpful options are as follows:

- Contact the IRS at (800) 829-1040.
- Report the call to the U.S. Treasury's Inspector General for Tax Administration at <https://www.treasury.gov/tigta/index.shtml> or at (800) 366-4484.
- Report the call to the Federal Trade Commission at [www.FTC.gov](http://www.FTC.gov) or at (877)-438-4338.

This handout is distributed by the Arkansas Office of the Staff Judge Advocate, Office of Legal Assistance as a preventive law service. This document and other helpful information on similar personal legal affairs topics can be found on the office's website located at <https://arkansas.nationalguard.mil/Home/JAG-Legal/>

For more information on this topic or to consult with a legal assistance attorney contact the Arkansas National Guard Office of Legal Assistance at 501-212-5040 to establish eligibility and appointment times.