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South Carolina Department of Consumer Affairs : consumer credit counseling – one year later

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The seal of the South Carolina Department of Consumer Affairs is a circular emblem. It features a central figure, likely a personification of justice or a consumer, holding a scale and a sword. The figure is surrounded by a wreath. The outer ring of the seal contains the text "SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS" at the top and "SPES" at the bottom. The seal is rendered in a light, faded gray color.

**SOUTH CAROLINA DEPARTMENT
OF CONSUMER AFFAIRS:
CONSUMER CREDIT
COUNSELING- ONE
YEAR LATER**

March 2007

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ACKNOWLEDGEMENTS

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Chair, Columbia

The Honorable Mark Hammond,
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The Honorable Barbara B. League,
Greenville

The Honorable Louis Mayrant Jr.,
Pineville

The Honorable Tony Macomson,
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The Honorable Wayne Keith Sims,
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Bradley Elbein, Regional Director of the Federal Trade Commission's South East
Region

South Carolina Department of Consumer Affairs Consumer Credit Counseling
Roundtable

South Carolina General Assembly and Staff

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INTRODUCTION

South Carolinians are turning to businesses that offer services to manage debt and improve credit scores at increasing rates. Consumer debt is at an all-time high and foreclosure and other debt collection activities are becoming more common, causing consumers to seek out a solution to their financial problems. Consumers also seek these services when they have become victims of identity theft or when preparing to purchase a new car or home. While many organizations offering debt services are legitimate, some are not. Unfortunately, these organizations can easily take advantage of the consumer's desperate financial position.

The Consumer Credit Counseling Act, a law regulating the businesses that aid consumers in dealing with credit issues, passed in the 2005 legislative session. Sponsored by Senator Joel Lourie, the Law's purpose is to protect consumers and curtail negative practices by these organizations. While the Act was being drafted, several states already regulated businesses offering credit services.¹ This provided a wealth of options and examples of what protections and provisions would be most effective. The result- one of the most comprehensive consumer credit counseling laws in the nation. **"The Consumer Credit Counseling Act provides protection to an increasing number of South Carolinians who encounter financial and debt related problems,"** stated Senator Lourie, **"Now, consumers can receive advice from only those legitimate credit counseling organizations which have been approved by the South Carolina Department of Consumer Affairs."**

This report will review the first year of the Consumer Credit Counseling Act. Included is background on the three industries covered under the Act, a summary of the law, and a description of actions taken by the Department in the areas of education and enforcement. The report concludes with recommendations that will improve the area of consumer protection with regard to debt and credit.

BACKGROUND

The Consumer Credit Counseling Act went into effect on December 2, 2005, and applies to contracts and solicitations from that date forward. The law requires consumer credit counseling organizations, which are businesses offering or providing credit counseling services **for a fee**, to obtain a license from the Department and comply with the Act. Employees of these organizations who are

¹ See Appendix A for maps of current state regulations.

involved with providing the credit counseling services, “credit counselors” under the Act, must also obtain a license. Practices within each industry prompted the need for the Act.

What Businesses Must Obey the Law The industries that must follow the law can be divided into three categories: (1) **Debt management/debt consolidation businesses**, (2) **Credit repair businesses**, and (3) **Debt settlement/negotiation businesses**.

Debt Management/Consolidation

Debt management companies contact creditors in an attempt to stop any late penalties, decrease interest rates, etc. The creditors that agree to these terms are placed on a consumer’s “debt management plan” (DMP). Every month the consumer sends one check to the debt management company to cover any fees charged by the company and payments for creditors. The company then distributes the money to the creditors, which is why debt management companies are also known as debt consolidators. The company only sends payments to creditors in the debt management plan.

Credit Repair

Credit repair companies offer to improve a consumer’s credit file, history, or rating. Federal law requires creditors and credit reporting bureaus to report accurate and timely information, and consumers can dispute inaccurate items on their own for free. A consumer can write letters to credit reporting agencies and creditors that the consumer believes are reporting mistaken, expired, or unverifiable information. A situation where a consumer may want to repair their credit is if a credit card account is listed on the consumer’s report and the consumer does not believe the account is theirs. Credit repair companies can be hired to dispute items on behalf of the consumer.

Debt Settlement/Negotiation

The last industry covered under the Act is the debt settlement/negotiation industry. Debt settlement companies attempt to negotiate with creditors to reduce the amount of money the consumer owes. **For example, if a consumer owes \$20,000 to one creditor, the company will try to convince the creditor to accept a smaller amount, say \$14,000, as full and final payment of the debt.** While the debt settler is attempting to negotiate with creditors, the company will ask the consumer to set aside a specific amount of money per month. Debt settlers may have consumers deposit the money in a personal bank account, in a third party account, or have them send it to the company to keep in a trust account. If a settlement is reached, the money saved will be used to pay the debt. Foreclosure/mortgage assistance also falls into this category.

Why South Carolina Consumers Needed Protection The industries covered by the Consumer Credit Counseling Act recently came under scrutiny, and some are still under review. The need for a law protecting consumers who are in financial hardship became apparent as lawsuits and investigations revealed misleading and deceptive tactics used within the industries.

One notable case concerning a debt management company is *Federal Trade Commission v. AmeriDebt, Inc., et al.*². In this case, a non-profit company required consumers to pay a high voluntary contribution for an enrollment fee, which many consumers thought was being used to pay their creditors. AmeriDebt also paid its employees by the number of consumers enrolled in a debt management plan. Many in the debt management industry were surprised by the actions of this non-profit entity and welcomed protective laws. **“The new law not only protects the consumers from ‘bad’ debt counseling practices,”** states Michael Russell Pena, Director of Consumer Credit Counseling Services at Family Services, Inc., **“but also helps those of us who are providing good quality counseling maintain a good industry image of the work and services we provide in our state.”**

Credit repair companies have also been under scrutiny. The Consumer Credit Counseling Act goes hand-in-hand with its Federal counterpart, the Credit Repair Organizations Act, in the area of credit repair. The Federal Trade Commission enforces this law and has brought several suits against companies for violations, which include charging excessive fees. The Federal law also prohibits a credit repair company from accepting **“up-front fees”**, that is collecting money before services are fully performed.

Debt settlement companies have not been immune from lawsuits either. Several companies that held “non-profit” status were charging consumers excessive fees. In *Federal Trade Commission v. National Consumer Council, et al.*³, a company misled consumers in order to secure their business. Promises of settled debt were proven false since the success rate for consumers enrolled in the debt settlement program was minimal. Also, the business gave little to no consumer education to consumers.

Cases like those referenced are still prevalent. Bradley Elbein, Regional Director of the Federal Trade Commission’s South East Region states **“Regulators and enforcement agencies at all levels have seen a growth of unscrupulous credit and debt repair companies. Without effective industry**

² *Federal Trade Commission v. AmeriDebt, Inc., DebtWorks, Inc., Andris Pukke, and Pamela Pukke, also known as Pamela Shuster*. Civil Action No.: PJM 03-3317

³ *Federal Trade Commission, Plaintiff, v. National Consumer Council, Inc., et al., Defendants*. Civil Action No.: SACV04-0474CJC(JWJX).

self-regulation or regulatory oversight of the credit counseling and debt repair industry, consumers will continue to be threatened by these companies.”

The Consumer Credit Counseling Act addresses concerns raised by lawsuits and investigations within the three industries. Several of the practices used by rogue companies are prohibited by the Act, and consumer protections are enhanced.

SUMMARY OF THE LAW

As stated earlier, the Consumer Credit Counseling Act applies to companies in the debt management/consolidation, credit repair, and debt settlement/negotiation industries. All companies, both in-state and out-of-state, who contract or solicit South Carolina consumers must obtain a license from the Department and follow the Act. The law provides consumer protection while giving guidelines for everyday business activities.

Consumer Protection The law has several provisions that are meant to protect consumers from bad business practices and ensure consumers are receiving services that will benefit them. Several factors may lead a consumer down the path of financial hardship, but a lack of financial literacy or basic money management skills is often a factor. Because of this, the law requires credit counseling organizations to provide consumers with one-on-one consumer education sessions. The session must address budgeting, saving, and managing credit and debt.

When a consumer has financial problems, more than likely, they will not have a lot of money to pay for credit counseling services. **“The credit counseling law was very much needed in South Carolina. Businesses and ‘non-profits’ were charging consumer enormous fees, but this law now regulates those fees,”** said Schrendria F. Robinson, Former Director of Credit Counseling at Family Service Center of South Carolina. **“This law is great.”** Under the Act, a business cannot charge a fee other than what the Department allows per regulation. Currently, credit counseling organizations can charge the following fees, as applicable: a **\$50** initial consultation fee; **\$30** to set-up a DMP; **\$40** per month for maintenance of accounts; and a **\$25** reinstatement fee.

Consumers also have the **right to cancel a contract at any time**. If the consumer wishes to cancel the contract, a letter must be sent to the business giving ten (10) days’ notice of the decision. The business cannot charge any fee for cancellation and must return any fees not earned or money not yet sent to creditors.

The law also lists many prohibitions. If a business violates any of the prohibitions listed, the contract is void. Some of these acts include using misleading advertising, taking or paying referral fees, and taking money before earned. If a business violates any of these prohibitions, or any other part of the Act, the consumer can call the Department, and in most cases resolve the issue. The Act also allows a consumer to sue the business when violations occur. If successful, the consumer can get attorneys fees and court costs in addition to other relief.

Licensing Provisions In addition to the provisions that clearly protect consumers, the law requires organizations and their counselors to go through an intense application process and incorporate certain business practices to protect consumers. Each organization must get and **maintain a bond** of at least \$25,000. The Department can take the bond if the business violates the Act. Credit counselors must also be licensed. Counselors, owners, and designees of LLCs and corporations, must take twelve (12) hours of **continuing education** every two years. The education is meant to keep the organizations and employees updated on laws and hot topics within the industries.

EDUCATION

While administration and enforcement of the Act are important duties, informing the public of the law and their rights is equally vital. The Department achieves the goals of compliance with the Act and public education by publishing educational brochures and speaking to businesses and consumers about the law.

Business Education When the Act first passed, the Department began working on a brochure for businesses that would help inform them of the application process, and more importantly, highlight portions of the Act. The brochure, "Fast Facts for Licensees: Consumer Credit Counseling"⁴ is available on the Department's website at www.sconsumer.gov. Agency staff also traveled to various trade organization conferences around the country to speak about the new law.

Businesses are also kept up to date on the law through the requirement of continuing professional education. The Department held two free seminars in 2006 with topics ranging from the new bankruptcy law to industry applicable state and federal laws to sessions on the Act. Representatives from the US Trustees Office, Federal Trade Commission, and South Carolina Attorney General's Office aided the Department in presenting the sessions. The

⁴ A copy can be found in Appendix D.

Department has also made the Spring seminar available on DVD as most of the licensees are out-of-state and could not attend the seminars.

Consumer Education Currently, three consumer education materials on credit counseling are available to the public. Initially, the Department created "Fast Facts for Consumers: Consumer Credit Counseling."⁵ This brochure highlights some of the rights consumers have under the law, including the protection provisions. The Department then issued "Fast Facts for Consumers: Credit Repair- Steps to Improve Your Credit File."⁶ This self-help brochure explains how consumers can repair their credit file. Both brochures are available on our website at www.sconsumer.gov, along with a sheet detailing the industries that fall under the Act. A consumer can also call the Department at 1-800-922-1594 to get hard copies of the brochures.

The Department also stays involved in and educates the community by holding consumer education seminars, participating in consumer forums and speaking to community groups. In 2006 the Department started a program called "**After Hours.**" These free consumer education seminars are held at SCDCA on the third Tuesday of each month, except for July and December. A new, hot topic is presented every session, and credit repair and credit counseling were covered last year.

In November, the Department teamed up with South Carolina Educational Television and representatives of the Federal Trade Commission, a local Consumer Credit Counseling Service, the debt collection industry and other participants to present **ETV Forum: Debt Collection** for consumers. Topics included a discussion on South Carolina debt collection laws and proactive measures consumers can take when in financial hardship. Department staff also traveled the state informing consumers about the Act and their rights under it. Requests for speakers can be made to the SCDCA Public Information Division.

ENFORCEMENT

In the last few months, the Department has stepped up enforcement efforts to make sure businesses follow the Act. In the age of the Internet and telemarketing a lot of businesses South Carolina consumers hire for credit counseling services are located out-of-state. Since the law is not limited by business location, enforcement against out-of-state companies has not been an issue. The Department is made aware of illegal businesses through consumer complaints, industry reporting, and advertisements. The actions taken by

⁵ A copy can be found in Appendix E.

⁶ A copy can be found in Appendix F.

Consumer Affairs include requiring businesses to issue consumer refunds and filing lawsuits against those that refuse to comply with the law. =

Consumer Refunds In the area of refunds, as of December 31, 2006, the Department has required that approximately **\$123,000** be returned to consumers from businesses that did not follow the Consumer Credit Counseling Act. The refunds came from ten companies to about **181 consumers**. **Eight of the ten companies were located out of state**. **Consumers received an average refund of \$680, which is alarming since the consumers had only been with the companies for a few months**. **Refunds totaling approximately \$350,000 are still pending and will be distributed in the Spring of 2007**.

Legal Action At times, some business practices require the Department to file a lawsuit. The Department has filed four actions this year. Two of the suits are against out-of-state companies. Most of the cases involve companies engaged in credit counseling services, which includes advertising without a license. Two of the lawsuits were decided. One credit repair company was ordered to refund **\$142,000** to consumers and pay an administrative fine of **\$241,000** due to violations of the Act. Fines totaling **\$56,500** and refunds for South Carolina consumers resulted from the other decided case against a debt settlement company. Information on the cases is posted on our website after an Order has been issued.

CONCLUSION & RECOMMENDATIONS

As stated earlier, there are several events that may cause a consumer to need help in dealing with debt or credit. The Consumer Credit Counseling Act offers several protections for consumers who seek the covered services. This law is a step in the right direction, but more should be done. The Department recognizes that consumers are responsible for the debts they incur, but believes that legislative changes may help consumers combat financial problems or at least lessen their burden.

- *Title Lending and Payday Lending*: Some members of these industries are referred to as predatory lenders due to the business practices used. The current interest rates allowed, in addition to other factors, often cause a consumer who receives these loans to be in a worse financial position than when the services were initially sought. **"Payday lending is the leading problem we see in financial counseling today,"** says Wendy Culler, Financial Counselor with Founders Federal Credit Union. Lowering the maximum interest rate and implementing other measures to increase a consumer's likelihood of paying off the loan are recommended.

- **Debt Collection:** With the record rise in consumer debt, an increasing amount of consumers seeking credit counseling are being contacted by debt collectors. South Carolina currently has limited laws to protect consumers from unscrupulous debt collectors. These include the *Unconscionable Debt Collection Practices Act*, as well as the prohibition against wage garnishment. Unfortunately, these do not seem to curtail improper collection practices as the Department receives a growing amount of legitimate complaints against members of this industry. The debt collection laws should be strengthened to require licensing, expand prohibitions and grant the Department greater authority in enforcing the laws.

- **Garnishment:** The prohibition against wage garnishment should also be sustained to continue to allow consumers the choice of where to apply payments and to prevent the need for filing bankruptcy. (**South Carolina currently holds the place for the lowest bankruptcy filings in the nation.**)

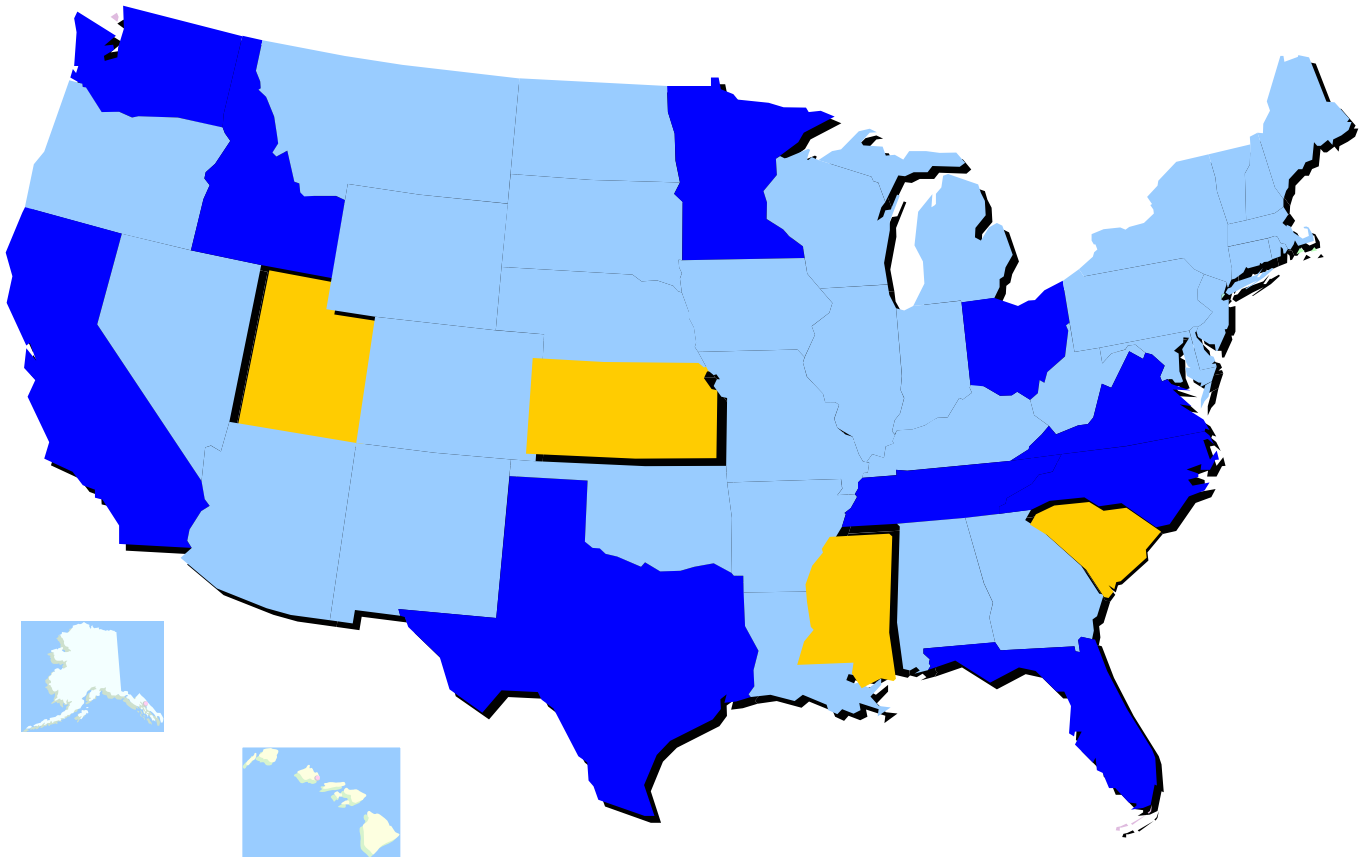
- **Mortgage Industries:** South Carolina has one of the highest rates of foreclosures in the nation. Many factors can lead a consumer to foreclosure, but the Department believes regulation of the industries involved in the process of purchasing a home will decrease this rate as investigations of foreclosures often lead to the discovery of mortgage fraud.

Mortgage lenders, as well as originators for these companies, are unregulated by the State. If a licensing requirement were imposed on these industries, the Department believes the amount of mortgage fraud will decrease, in turn having an effect on the number of foreclosures in this State.


- **Mortgage Fraud Clearinghouse:** As stated above, South Carolina citizens, for varying reasons, are finding themselves in foreclosure at extremely high rates. If a toll-free number was created for consumers to report mortgage fraud, regulatory agencies could better combat this fraud, hopefully resulting in its decline and that of foreclosures.

APPENDIX

Ai. States that Regulate* Debt Management, Credit Repair and Debt Settlement Organizations

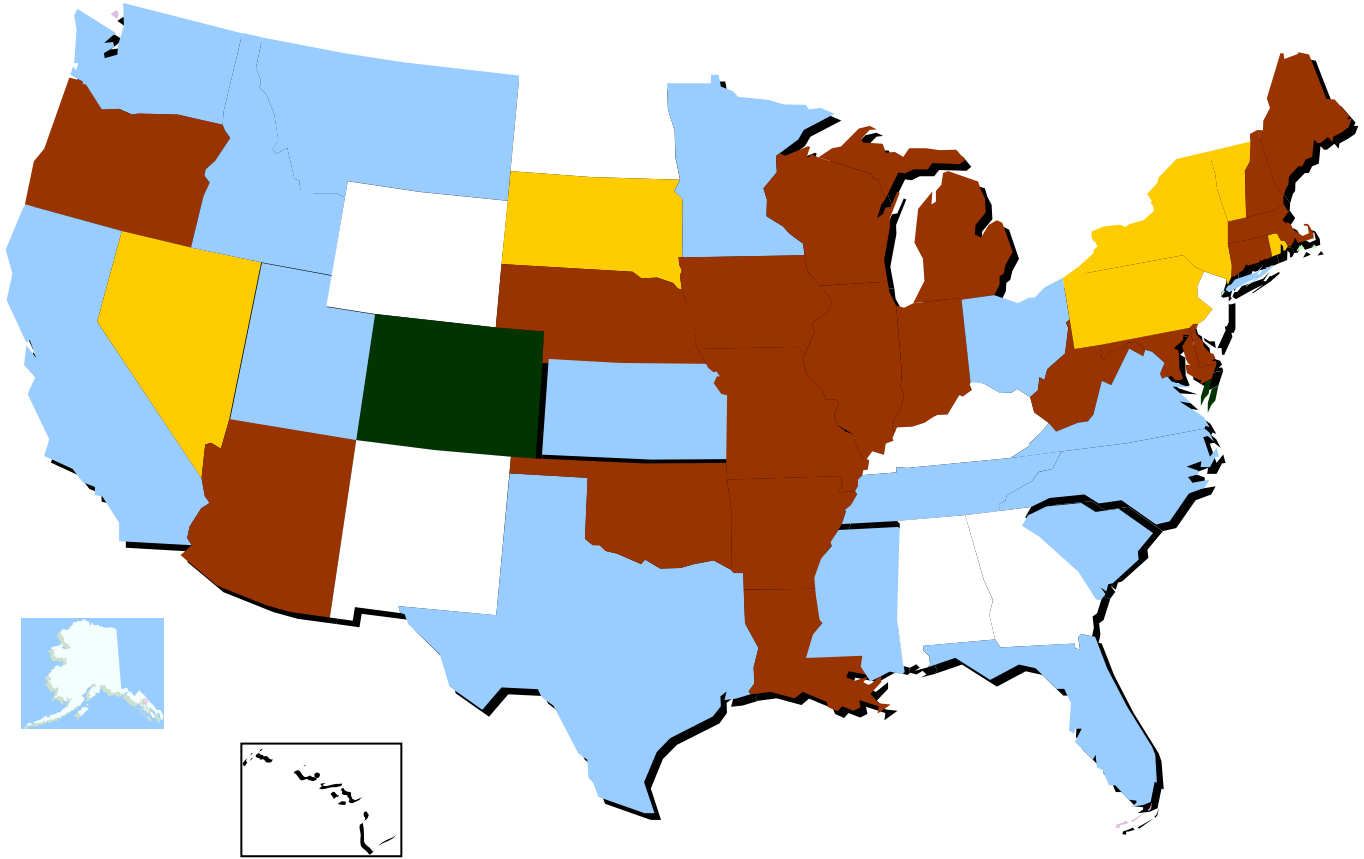


 States that regulate the three industries under one Act (4)

 States that regulate all three industries (10)

* Assuming the definitions are interpreted in each applicable state as to cover said entities. States that prohibit a service are also included under the term "Regulate".

Aii. Other State Regulation* of Debt Management, Credit Repair and Debt Settlement Organizations



- States that regulate Debt Management and Debt Settlement only (8)
- States that regulate Debt Management and Credit Repair only (19)
- States that regulate Debt Management only (6)
- States that regulate Credit Repair only (2)

* Assuming the definitions are interpreted in each applicable state as to cover said entities. States that prohibit a service are also included under the term "Regulation".

B. CONSUMER TIPS

Take the following steps to try and stay out of financial trouble:

- **Make a Budget.** You can make a budget and stick to it.
- **Check Your Credit Report.** Remember to check your report every twelve months to make sure the information is correct.
- **Contact Your Creditors.** When you think you will not be able to pay a certain creditor, call the creditor and ask for a new repayment plan. If the creditors agree on a new plan, get it in writing.
- **Get Help.** If you need help making a budget or paying your creditors, contact a licensed credit counseling organization.

If you decide to hire someone to help with your credit issues, check the following:

- **Licensing.** Make sure the business is licensed with SCDCA. You can contact the Department to see who is licensed or check SCDCA's website for a list of licensed organizations.
- **Services Offered.** Be clear on what services the business offers.
- **Fees.** Ask what fees will be charged.
- **Training and Qualifications.** Ask if the organization is accredited and how the counselors are trained.

Beware of companies that:

- Make promises or guarantees;
- Ask you to lie;
- Ask you to dispute everything on your credit report;
- Ask for up-front fees;
- Are not licensed by the SC Department of Consumer Affairs; and
- Be aware of e-mails or web-based advertisements that promote the elimination of credit card and other debts.

Always remember: there is no magic cure-all to relieve you of debts you incurred.

C. GLOSSARY

Credit Counseling Organization - a person providing or offering to provide to consumers credit counseling services for a fee, compensation, or gain, or in the expectation of a fee, compensation, or gain, including debt management plans.

Credit Counseling Services – (a) receiving or offering to receive funds from a consumer for the purpose of distributing the funds among the consumer's creditors in full or partial payment of the consumer's debts; (b) improving or offering to improve a consumer's credit record, history, or rating; (c) negotiating or offering to negotiate to defer or reduce a consumer's obligations with respect to credit extended by others.

Credit Counselor - an employee or agent of a credit counseling organization engaging in credit counseling services.

Credit Repair – See page 2.

Debt Management/ Consolidation – See page 2.

Debt Management Plan - a program in which an organization agrees to engage in debt settlement or debt pooling and distribution services on behalf of a consumer with the consumer's creditors and under which the consumer gives money or control of his funds to the organization for distribution to the consumer's creditors.

Debt Settlement - any action or negotiation initiated or taken by or on behalf of a consumer with a creditor of the consumer for the purpose of obtaining debt forgiveness of a portion of the credit extended by the creditor to the consumer or a reduction of payments, charges, or fees payable by the consumer. *Also, see page 2.*

D. FAST FACTS FOR LICENSEES: CONSUMER CREDIT



Licensing

Credit Counseling Organizations must complete the application for a license and pay \$100 per location in South Carolina and per location outside the state when the organization is soliciting or contracting with consumers located within South Carolina.

Organizations must also include a \$50 investigation (one-time) fee in their initial application for licensure, obtain a surety bond in an amount equal to or in excess of the South Carolina clients' funds in the trust account, but the bond cannot be less than \$25,000.

A criminal background check and other information relating to the applicant's general fitness and character are also required.

Credit Counselors must complete the application for a license and pay a fee of \$40. A criminal background check and other information relating to the applicant's general fitness and character are also required.

Application Period begins September 1st and runs through December 2nd. (Will run through December 1st beginning in 2006). New licenses are valid on receipt and expire December 31st. Applications must be submitted 30 days prior to the license's expiration. Application forms can be downloaded from the Consumer Affairs Website beginning September 1st 2005.

Fees the credit counseling organization can charge to consumers will be set by the Department via Regulation.

Continuing Professional Education

Requirements Organizations and counselors are required to obtain 12 hours of Continuing Professional Education (CPE) every 2 years. (6 of the 12 must be in-person).

This includes owners of a sole proprietorship, partners, and if the applicant is a limited liability company or a corporation, a designated representative.

Courses will be offered free of charge by the Department. Other courses can be approved by the CPE panel, which will consist of a Department representative and two counselors (who serve 2 year terms). If an organization or counselor fails to obtain the required CPE hours, the license will expire and the applicant must pay an additional \$100 to renew.

Organization Requirements

Credit Counseling Organizations have additional requirements which include performing written budget analyses • providing basic consumer education programs • limiting contracts to 5 years • allows the consumer to cancel a contract with 10 days written notice • maintaining separate trust accounts • rendering an accounting to debtors every three months • submitting an annual report of the past year's business on April 15th • maintaining proper books, records, and accounts.

Credit Counselors, like organizations, have a continuing duty to update the application and to inform the Department within ten days of specific events, such as filing for bankruptcy or a felony conviction or indictment involving breach of trust, moral turpitude, fraud, or dishonest dealing.

Prohibitions include deceptive advertising or other deceptive acts or practices • making loans to debtors • paying referral fees • asking a consumer to waive rights given by the statute.

Contact Information

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• Website: www.sccconsumer.gov

E. FAST FACTS FOR CONSUMERS: CONSUMER CREDIT COUNSELING

Fast a c t s

FOR CONSUMERS



Under South Carolina law, companies that offer **debt management, credit repair, or debt settlement/negotiation** services must be licensed with the South Carolina Department of Consumer Affairs (SCDCA). This includes businesses located in South Carolina and those located outside the state that are advertising or contracting with South Carolina consumers. The Law provides rules which businesses and their employees must follow, and gives new rights to consumers.

Know Your Rights

- Credit counseling organizations must provide consumers with a financial education program.
- You can only be charged what SCDCA allows. Visit our website or call SCDCA to find out the current limit.
- Before putting you into a Debt Management Plan (DMP) and having you sign a contract, credit counselors must do a written budget analysis to make sure a DMP is right for you.
- The company must give you a copy of the contract.
- The contract may be cancelled anytime by giving ten (10) days' written notice to the business. You should then get a refund of all funds the business did not send or earn.
- If paying money for the business to send to your creditors, the business must give you a report of your account once every three (3) months. You can also ask the business for a report. (Limited to three (3) reports every six (6) months).

Credit Counselors and Credit Counseling Organizations CANNOT

- Ask for a voluntary contribution. SCDCA sets the fees the organization can charge.
- Have you sign a contract that has blank spaces. It must be completely filled in.
- Lie or mislead you when advertising or providing services.

Questions To Ask

- Are you licensed to offer your services in South Carolina? (Contact SCDCA to make sure the business is licensed).
- What services do you offer?
- What are your fees?
- What are the qualifications of your counselors? How are they trained?

Beware

- If a company is "non-profit" that does not mean they are trustworthy. Do your research before hiring a company.
- Watch out for businesses that make guarantees and promises.
- Once you hire a company, continue to pay your creditors until the plan has been accepted and always review your monthly statements to make sure creditors are receiving payments.
- Watch out for credit repair companies that ask for money before they provide services. They cannot charge upfront fees.

Contact Information

To find out if a credit counseling organization and/or a credit counselor is licensed with SCDCA contact:

Legal Division
(803) 734-4236

To file a complaint with SCDCA against a credit counseling organization and/or a credit counselor contact:

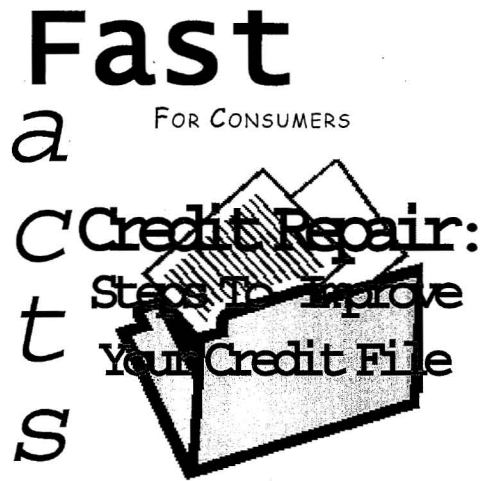
Complaint Services
803.734.4200 or in S.C. 800.922.1594

If you have any questions on credit counseling you can also e-mail the Department at:
scdca@dca.state.sc.us



South Carolina Department of Consumer Affairs
• 3600 Forest Drive Suite 300 Columbia SC 29204 • e-mail: scdca@dca.state.sc.us • 803.734.4200 or toll free statewide: 1.800.922.1594 • website: www.sconsumer.gov

F. FAST FACTS FOR CONSUMERS: CREDIT REPAIR- STEPS TO IMPROVE YOUR CREDIT FILE



You have the right to have incomplete information, inaccurate information, unverified information, and expired information fixed or removed from your credit report. Here are some steps you can take to improve your credit file.

1 Obtain your credit report so you can see if your credit needs repair. The law allows you to get one free credit report from each of the three nationwide credit reporting companies (Equifax, Experian, and TransUnion) every 12 months. You can only get this free report the following ways: the internet, www.annualcreditreport.com; telephone, 1-877-322-8228; or by printing a request form at www.ftc.gov/credit and mailing it to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, Georgia 30348-5281.

You can also get a free report if you were denied credit, insurance or employment because of information on your report and you request the report within 60 days, or if you are on government assistance, or if incorrect information is on your report because of fraud. The companies can charge up to \$9.50 for another report within the 12 months.



South Carolina Department of Consumer Affairs
• 3600 Forest Drive Suite 300 Columbia SC 29204 • e-mail: scdca@dca.state.sc.us • 803.734.4200 or toll free statewide: 1.800.922.1594 • website: www.sccoconsumer.gov

2 Write a letter to the credit reporting company. A sample letter is on www.ftc.gov/credit or you can request one by calling 1-877-FTC-HELP. In the letter include what information is wrong, why it is wrong, ask that it be removed and send copies of any papers you have that support your position. Make a copy of the letter before mailing it certified mail "return receipt requested".

When the credit reporting company gets the letter, it must tell the provider that the information is in dispute. The credit reporting company must then investigate the information within 30 days.

3 Write a letter to the provider. A provider is the company who is giving the information to the credit reporting company. This letter should be the same as the one sent to the credit reporting company including what information is wrong, copies of supporting papers, etc. Before sending this letter certified mail, make sure you have the correct address for disputes. Many providers have special addresses for you to send the dispute letter to.

When the provider gets the letter, they must tell the credit reporting companies that the information is in dispute. A "flag" will be placed on the report showing you are disputing it. The provider must also investigate the information. Once the investigation is finished, the provider must tell the 3 nationwide credit reporting companies the result.

Note: Credit reporting companies and providers do not have to investigate your claim if they think your request is not genuine. For this reason, only the information you have a right to dispute should be disputed.

4 Dealing with your debt. If your credit report has negative information that is correct and timely, you can still take steps to improve your credit file.

- Make a budget and stick to it.
- Contact your creditor when you think you will not be able to pay. Ask the creditor for a new repayment plan. If they agree, get it in writing.
- If you need help managing your credit, contact a local debt management company. (Also known as "credit counseling agencies"). Contact SCDA for a list of licensed companies.
- Check your credit report every twelve months to make sure the information is correct.

G. SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS: PURPOSE AND MISSION

Who we are

The South Carolina Department of Consumer Affairs was established by the SC Consumer Protection Code, which was signed into law by the Governor on August 13, 1974. As the state agency designed to represent the interests of consumers, this department attempts to resolve complaints and seeks to inform and educate consumers, ultimately making them more aware of their rights and responsibilities in the marketplace. On July 25, 1978, the Consumer Advocacy Division was created and added to the Department.

Our Mission

Our mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement, and education. The Department strives to be a CREDIT to our State by holding the following values as essential in our relationships and decision-making:

Competence
Respect
Equality
Dedication
Integrity
Timeliness