



Consumer Affairs Tabloid



Keeping you in the "KNOW"

287- CITY

Army Community Service Financial Readiness Branch

April 2007



Better Business Bureau

Know What's Involved Before Cosigning A Loan www.bbb.org/alerts/article.asp?ID=322

What if you were asked to cosign a loan for a family member or friend? Would you do it? Before you give your answer, make sure you understand what cosigning involves. Under a Federal Trade Commission rule, creditors are required to give you a notice to help explain your obligations. The cosigner's notice says:

- You are being asked to guarantee a debt. If the borrower doesn't pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept the responsibility.
- You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs.
- The creditor can collect this debt from you without first trying to collect from the borrower. The creditor can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record.

Federal Trade Commission

Credit and Divorce www.ftc.gov/bcp/online/pubs/credit/divorce.htm

Mary and Bill recently divorced. Their divorce decree stated that Bill would pay the balances on their three joint credit card accounts. Months later, after Bill neglected to pay off these accounts, all three creditors contacted Mary for payment. She referred them to the divorce decree, insisting that she was not responsible for the accounts. The creditors correctly stated that they were not parties to the decree and that Mary was still legally responsible for paying off the couple's joint accounts. Mary later found out that the late payments appeared on her credit report.

If you live in a community property state (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, or Wisconsin), you and your spouse may be responsible for debts incurred during the marriage, and the individual debts of one spouse may appear on the credit report of the other.

From the Files of Fort Hood's Consumer Affairs Office

Before you cosign, consider this information:



- Be sure you can afford to pay the loan.
- Even if you're not asked to repay the debt, your liability for the loan may keep you from getting other credit because creditors will consider the cosigned loan as one of your obligations.
- Before you pledge property to secure the loan, such as your car or furniture, make sure you understand the consequences. If the borrower defaults, you could lose these items.
- Make sure you get copies of all important papers, such as the loan contract, the Truth-in-Lending Disclosure Statement, and warranties — if you're cosigning for a purchase. You may need these documents if there's a dispute between the borrower and the seller. The lender is not required to give you these papers; you may have to get copies from the borrower.

Have more questions about credit? The Financial Readiness Branch offers a Credit Booster Class. Call 288-2862 for more information.

Back issues of the Consumer Affairs Tabloid are available on the Financial Readiness section of the ACS website at www.hoodmwr.com/acs.