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*Women:
Where credit is due*

WOMEN'S RIGHTS TO CREDIT
Maryland Commission For Women

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MARYLAND COMMISSION FOR WOMEN
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Women: Where credit is due

The State of Maryland, as well as the Federal Government, passed laws in 1975 which prohibit credit discrimination on the basis of sex or marital status. Yet many women still do not understand what their rights to credit are, how to get credit, and what actions to take to ensure fair credit consideration under the laws.

"Where Credit is Due" has been prepared by the Maryland Commission for Women to help women understand what they are entitled to when they apply for credit. Its information is based on the 1,000 inquiries which the Commission has received most frequently in the past year.

We are grateful for the assistance of Commercial Credit Corporation in helping us publish this booklet. It is our hope that all women will read "Where Credit is Due" carefully since having access to credit in meeting financial needs is so important.

Sincerely,



Chairwoman
Maryland Commission for
Women



A SINGLE WOMAN

A single woman with a history of steady employment and sufficient income applies for a home mortgage. It is denied, unless she can find a male co-signer.





A MARRIED WOMAN

A newly-married woman asks a department store to change the name on her charge account from "Mary Smith" to "Mary Jones". Back comes a new account application asking for financial information on her husband. The application is approved or denied on the basis of his credit record, and the new credit card is issued in his name. The wife's own credit rating ceases to exist.

A married woman who has been employed for several years, decides to open her own bank account and applies for a personal line of credit. She finds that her credit limit is less than her husband's even though her income is equal to his.





A SEPARATED OR DIVORCED WOMAN

A recently separated woman applies for credit at a department store and uses her joint charge accounts for credit references. Her application is denied because she doesn't have credit references of her own.

A divorced woman applies for a credit card. The application is denied because her income comes from alimony and child support. The lending institution does not consider this a reliable source of income, even though the ex-husband has made every payment on time for three years.





A WIDOW

A widow is faced with the purchase of a major appliance shortly after her husband's death. The store informs her that her charge account has been cancelled because it was in her husband's name. She will have to reapply for credit — and it may take some time. Or she may not be able to get the amount of credit she needs for a major purchase, because she has no credit rating of her own.





Do you see
yourself
in any of these
cases?

Have you had a similar experience? Or has one of your friends? You may well have because they are examples of common discriminatory practices which some credit institutions and retail merchants employ to deny women equal access to credit. And they are illegal, prohibited by the Maryland Equal Credit Opportunity Act, which went into effect July 1, 1975.

Credit is based on trust, and the financial world has been slow to develop the same kind of trust in women that it traditionally has had for men. Some lenders still seem to believe that women cannot hold steady jobs, that they

cannot spend or save wisely, and especially that they are irresponsible about their financial obligations. That is why credit — the advancement of money, services, or goods, has been so difficult for some women to obtain.

The Maryland Equal Credit Opportunity Act — and similar Federal legislation which became effective October 28, 1975 — affects every woman in Maryland, single, married, separated, divorced or widowed. The Maryland Commission for Women has prepared this pamphlet to help you *know your rights* under the new laws and to give you some basic facts on credit.



QUESTIONS WOMEN MOST FREQUENTLY ASK ABOUT CREDIT

If I Am Single . . .

1. Can a creditor ask about my marital status? **No.** The creditor may ask which courtesy title you wish to use — Miss, Mrs., or Ms., but the use of a title is optional.
2. Can a creditor require a cosigner? **Only if a similar requirement is imposed on a man with a similar income and credit history.**

If I Am Married . . .

1. Can a creditor ask about my husband's income? **Only if he will be a joint account holder or if you rely on his income as a basis for credit.**
2. Can a creditor ask for my husband's signature for a major purchase, such as a car or home? **Only if the car or home is in both names. If the car or home is in your name only, your husband's signature is not required.**
3. Can a creditor disregard my income when my husband and I apply for a mortgage? **No. It is illegal for any creditor to exclude the income of either spouse for such a loan.**
4. Will my husband be able to use my charge accounts? **Yes. If he is a joint account user, or the account bears his name also.**
5. Will my husband's credit record affect my credit if his rating is poor? **Not if you are creditworthy in your own right. You cannot be denied credit because of his debts unless you had joint charge accounts or were a cosigner for a loan, which would mean you shared in his debt responsibility.**

6. Can I have someone other than my husband cosign for a loan? **Yes.** Any relative or friend may cosign. The creditor will then evaluate that person's credit record, because cosigning means a guarantee of payment if you fail to pay.

If I Am Separated, Divorced, or Widowed . . .

1. Can a creditor refuse to consider alimony or child support as income? **No.** Regular alimony and child support payments qualify as income.
2. Can a creditor revoke my credit if I become widowed or divorced? **No.** Creditors may not terminate credit on an existing account because of a change in marital status without evidence that your financial circumstances have been unfavorably altered. If you become divorced or widowed, your credit cards cannot be automatically recalled, but you may have to reapply for credit to prove that you are still creditworthy.
3. Can the fact that I've paid the bills my husband and I had be used as a credit history even if I've never had a separate credit rating? **Yes,** creditors must consider the history of "family" accounts.

If I am denied credit . . .

1. Can I find out why? **Yes,** if you write to the store, bank or finance company where you applied within 30 days of the time of denial, you are entitled to a written response.
2. Can I find out what information was given to the creditor by a credit bureau? **Yes,** if you ask within 30 days of your rejection, you are entitled to be told — without a fee — what information is in your credit file.
3. Can I have a credit bureau change incorrect information in my credit file? **You have the right to ask the credit**

bureau to re-check the information. If it is incorrect, the credit bureau must remove it from your file and notify all creditors who received the incorrect information that the file has been corrected. If you still are not satisfied, you are entitled to include your own explanation in the file.

General Questions

1. What can I do if my credit cards are lost or stolen? Immediately notify your creditors of the loss or theft of your credit cards. If someone uses your cards without authorization, your maximum liability is \$50.00. For your own protection, keep records of your credit card numbers.
2. What if I can't pay my bills on time? Contact your creditors and explain the situation. Most credit institutions have counselors who will assist you in working out a mutually satisfactory arrangement.
3. Is a creditor or bank liable for damages? A creditor may be liable to the applicant for actual damages plus punitive damages up to \$10,000. A creditor may be liable for punitive damages in a class action suit, up to \$500,000 or one percent of the creditor's net worth, whichever is less. Legal action may be brought in the U.S. District Court or any other court of jurisdiction within one year. This would necessitate engaging an attorney.
4. If I need counseling, whom can I contact? (Page 21)
5. If I think I've been discriminated against, where can I take a complaint of discrimination? (Page 20)



WHAT IS CREDIT?

Credit is a privilege — the privilege of using money, goods or services before you pay for them. The doctor who sends you a bill instead of asking you to pay cash for an examination is extending credit to you. So is the store that lets you charge a purchase. Any form of installment buying is a credit transaction, as is any loan of money.

Credit is NOT a right — neither the doctor, nor the store, nor any financial institution is under obligation to extend credit to you. It is up to you to demonstrate that you are worthy of the credit privilege.

The Equal Credit Opportunity Act does *not* guarantee you access to credit simply because you are a woman. What it does guarantee is that you will have the same access to credit as a man in your financial situation. A credit institution can no longer turn you down, or demand extra security or stiffer terms, just because you are a woman.

HOW TO GET CREDIT

You may think you can't get credit unless you already have proved your credit-worthiness, but it's actually not that difficult. The two most common ways of establishing a financial history are relatively simple.

The first is to apply to a department store for a charge account in your own name. Make small purchases that you are sure you can afford, and pay your bill each month promptly. This method has the advantage of being inexpensive in that there are no finance charges if you pay your bill in full by the due date.

Another way is to open a checking and/or savings account in your own name (Mary Smith, not Mrs. John Smith). Make sure that you do not overdraw the checking account since the most important part of a credit history is to have a blemish-free record. You may want to consider applying for a personal line of credit along with your checking account since it provides automatic overdraft protection and may also be a source of credit if you should need it in the future.

Many people don't realize it, but having a telephone in your own name often can be used as part of a credit record. But again, the most important factor is prompt payment of your bills.

It is important to open accounts in your own name because "Mrs. John Edward Smith" is a social title, and it could refer to a succession of women. You yourself are "Mary Emily Smith" and should use this name when establishing your own credit.

Also remember that your credit is based on your own income and assets. Your husband's income and assets do not count, unless, of course, the two of you are applying jointly for credit.

It takes time to build a good credit rating, because lending institutions look for a pattern of responsible borrowing which can only be established by prompt payment of your obligations over a period of time.

WHAT LENDERS LOOK FOR

In deciding whether to extend credit to you, a lender considers a number of factors:

Ability to pay generally means income, and income can mean salary, self-employment, business ownership, alimony

and child support, investment income, pensions or Social Security. A credit manager will take a close look at your income, and will deny any application where the income is insufficient to support the amount of credit. A woman with a \$10,000 annual income, for instance, would not be eligible for a \$50,000 mortgage.

The amount of other indebtedness is as important as your income. You may take home a large paycheck every week, but if all of it is already committed, you are a poor risk to repay a further loan.

Indications of stability such as holding one job or living at the same address for a number of years are important considerations. They often provide creditors with a good indication of whether or not the applicant for credit will be in a position to repay the entire loan.

Your assets and possessions are another factor. A lender who is undecided about your application may ask you to put up collateral — pledge something you own, like a car or stocks, as a guarantee of repayment. If you have assets that can be used in this fashion, it is a point in your favor.

Your credit record is very important. Financial institutions will look at your past credit history (which is also how they check the truthfulness of your application). A credit bureau report that shows a record of late or missed payments, legal action to enforce collection, defaults, repossessions or bankruptcies can weigh very heavily against you. But a record of payments made on time and accounts satisfactorily closed is the best possible way to ensure further credit.

IF YOU ARE DENIED CREDIT

If your application for credit is turned down — write to the store, bank or finance company where you applied, within 30 days of the time of denial and request an explanation of why you were not granted credit. The creditor must answer within 30 to 100 days and name the credit bureau or other sources which provided information used in evaluating your application for credit. Keep copies of all correspondence.

If you have been denied credit because of information given by a credit bureau, you have the right to find out what information is in your credit file. Call the credit bureau and ask to review your file.

If you disagree with the information in your credit file, you have the right to ask the credit bureau to re-check the information. If the information is found to be incorrect, the credit bureau must remove it from your file and then notify all creditors who received the incorrect information that the file has been corrected.

THE NEW CREDIT LAWS

Maryland's Equal Credit Opportunity Act says that "with respect to any aspect of a credit transaction, a creditor may not discriminate against any applicant on the basis of sex or marital status."

The Federal Equal Credit Opportunity Act rearranges the clauses: "It shall be unlawful for any creditor to discriminate against any applicant with respect to any aspect of a credit transaction on the basis of . . . sex or marital status."

The two acts prohibit the following discriminatory practices:

- Refusing credit because of a change in marital status.

- Refusing a married woman a separate account even though she would qualify if single.
- Refusing a person credit because of the credit rating of the spouse, unless it is a joint account.
- Refusing to consider alimony and child support as income.
- Refusing to consider a wife's income when a couple applies for joint credit.
- Asking about an applicant's birth control practices or childbearing plans.
- Demanding financial information about a spouse, when the applicant is individually creditworthy.
- Refusing to consider income from regular or part-time employment.
- Refusing to recognize the legal name of a married person.
- Termination or revision of terms for a credit transaction because of a change in the applicant's name or marital status, as long as no change has occurred in the borrower's ability or willingness to pay.

Another important law which you should be aware of is the Fair Credit Reporting Act, which took effect in April, 1971. This Act supplements the provisions of the Maryland and Federal legislation guaranteeing equal credit consideration for both men and women. The Fair Credit Reporting Act requires that:

1. Creditors provide an explanation of the reasons for rejection of a credit applicant within 30-100 days if the applicant wants to know why credit was denied.
2. Applicants for credit be provided with information from any credit records used to determine whether credit would be granted.
3. Creditors cannot charge interest on disputed amounts or adversely affect a credit rating while a complaint is being investigated.

HOW THE LAWS AFFECT YOU

IF YOU ARE SINGLE

The single woman has always had less trouble with some kinds of credit than a married woman. She at least was able to obtain small amounts of credit without invoking a man's name, but when she tried to make a large purchase like a home, the barriers frequently went up and she was confronted by credit discrimination.

Some mortgage lenders have had the misconception that single women shouldn't own homes because they couldn't handle the financial responsibility. Many single women applying for home mortgages were either turned down outright or asked to provide a larger down payment, agree to a shorter loan term with higher monthly payments, or find a male co signer to guarantee the loan.

Maryland's Equal Credit Opportunity Act, as well as the Federal law, eliminates all these restrictions on mortgages and other credit transactions, unless they would also be imposed on a man with the same income and credit history.

IF YOU ARE MARRIED

Some of the law's most important provisions deal with married women. Of these, the single most important is the guarantee of a married woman's right to credit in her own name.

Joint and Individual Accounts

Changing circumstances may make you responsible for your own and your family's finances. If you are divorced, separated, widowed, or faced with severe illness or similar financial emergency, you will avoid many problems by having the protection of your own credit rating.

It is important that you take advantage of the new laws to establish your own credit; the section of this booklet on "How to Get

Credit" indicates what steps to take.

If you have your own income, establishing yourself as "Mary Robinson Smith" instead of the anonymous half of "Mr. and Mrs. John Edward Smith" should be a simple matter. Even income from steady part-time work, which was not counted for credit before, must now be considered as regular income in evaluating your credit potential.

But keep in mind that even if you are not employed, and have no income of your own, you can still establish your own credit by using provisions of the new laws that refer to joint accounts.

Beginning June 1, 1977, any new joint accounts you and your husband open must be maintained in both names (Mary Robinson Smith and John Edward Smith, not Mr. and Mrs. John Edward Smith). You will also have the right to change any joint accounts you now have to include both your name and his.

By doing so, you will establish your own credit history during your marriage, even if you don't have a separate source of income. Then, in the event of divorce or widowhood, you will not be faced with the prospect of building a credit record from scratch at a time when you already have more than enough problems.

Basically, this provision of the new law acknowledges the wife's contribution to the marriage. It banishes the myth of the husband as the only person who controls the family money and makes decisions about it. Literally, it gives credit where credit is due.

Keep in mind, however, that the new provisions of the Act regarding joint accounts can be a two-edged sword. If you or your husband allows your joint credit accounts to develop an unsatisfactory credit record, it will apply to each individual, even though only one may have been at fault.

Mortgages

Another provision of the Equal Credit Opportunity Act of vital importance to married women deals with home mortgages.

In the past some lending institutions maintained that a working wife's pregnancy would cause such a financial disruption in a married couple's life that they would suddenly find themselves unable to meet the mortgage payments, and default. Even though this belief has proven to be a myth, some mortgage lenders have used this assumption to discount a wife's income on mortgage applications. Only the husband's income figured into their calculations on the price of the home the couple could afford.

Couples who insisted that the wife's income was as reliable as the husband's were often asked about their birth control practices. Sometimes they were required to provide a doctor's statement that the wife was following a supervised birth control program, or to sign a statement agreeing not to have children, before the wife's income could be counted in the mortgage application.

The new law requires mortgage lenders to consider the *full combined* income of the husband and wife, including income from part-time employment. It forbids them to ask about birth control methods and childbearing plans.

IF YOU ARE SEPARATED OR DIVORCED

Some of the new law's good news comes too late to benefit you personally, but you'll be glad to know that future divorcees will have an easier time of it than you did. The law's requirement that joint accounts be kept in both spouses' names means that separated or divorced women won't experience that sudden withdrawal of credit, or the arbitrary restrictions on extending new credit, such as a waiting

period of six months to a year from the time of the separation. It is now illegal to refuse credit simply because of a change in marital status, as long as you yourself are still creditworthy.

If your ex-husband had a bad credit rating, you may have found it dogged you after your separation (although a good credit rating rarely seemed to follow a divorcee). The law now says that a husband's credit rating cannot be used to deny you credit, unless you signed jointly for credit. In fact, lenders no longer have the right to ask for credit information on any husband, ex- or otherwise, when you use your own income and assets to apply.

The law's greatest change for divorced women will affect you no matter how long you have been divorced, if you derive some or all of your income from alimony and child support. As you may know only too well, most lenders have refused to consider these payments as income, thereby effectively denying credit to many responsible and trustworthy women who needed it badly. Now credit institutions must give full weight to alimony and child support, provided they are steady and reliable.

It is true that they *aren't* always reliable. Therefore, you must prove to the lender that your alimony and child support is a source of income that you can both count on. Such proof might consist of a court order or other agreement setting the payments, and records showing that the payments have been made promptly.

Under these circumstances, the lender has the right to ask for credit information on your ex-husband, as you derive your income from him.

IF YOU ARE WIDOWED

The fact is that women live longer than men. The prospect of widowhood should be faced squarely, because it may well happen to any wife. Therefore, it is

extremely important for all married women to take advantage of the new law to establish credit in their own names, whether in single or joint accounts, because they are likely to need it.

The widow's credit situation has had a lot in common with the divorced woman's. In both cases, the man whom lenders believed to be her financial prop was no longer there, and so his credit was no longer available to her. And in both cases, she had to start from scratch to prove her creditworthiness.

The death of a husband no longer means that joint accounts, or accounts which she used, will be withdrawn from his widow. Creditors cannot terminate accounts because of a change in marital status, unless they have evidence that your financial situation has changed for the worse. However, if the account was based solely on your late husband's income, you may be asked to reapply to prove that you are still able and willing to pay.

WHERE TO GET HELP

If you want to file a complaint, there are two avenues. For state chartered banks, contact:

Maryland State Commissioner on
Banking
2005 Blaustein Building
1 North Charles Street
Baltimore, Md. 21201
(301) 383-2480

For all other complaints, contact:

Maryland Commissioner of
Consumer Credit
1 South Calvert Street, Room 600
Baltimore, Md. 21202
(301) 383-3656

The Commissioner of Consumer Credit is also the contact for questions or complaints regarding possible violations of the credit laws involving:

- your right to know the amount of interest you will be charged on a loan
- your right to know why you have been denied credit
- your right to know your credit history
- your right to correct any erroneous information in your credit record or to include your version of a credit dispute.

If you find yourself in financial trouble

and feel that you need help, a professional counseling organization can analyze your financial situation and outline a budget and repayment plan for you. These services are offered free. In Maryland contact:

Consumer Credit Counseling Service
of Greater Baltimore
The Bradford Building
Fayette Street and Luzerne Avenue
Baltimore, Md. 21224
(301) 732-3604
American National Bank Building
Suite 206
608 Washington Boulevard
Laurel, Maryland 20810
(301) 498-9400

In the Washington area contact:

Consumer Credit Counseling
425 13th Street N.W., Suite 826
Washington, D.C. 20004
(202) 638-6996

The Maryland Commission for Women exists to protect and promote your rights. If you have any questions on the Equal Credit Opportunity Act, or if you want to know whether you have grounds for a complaint, call or write:

Maryland Commission for Women
1100 North Eutaw Street
Baltimore, Md. 21201
(301) 383-5608

IT'S UP TO YOU

It has been said that the law was not designed to protect people from the consequences of their own folly. The Equal Credit Opportunity Act can protect you from other people's folly (i.e. prejudice), but not from your own. If you are a poor money manager, if you run up too many debts and don't pay your bills, you will still find yourself being turned down for credit.

Money management is outside the scope of this pamphlet — books have been written on it, and you might want to read some of them — but its basic rules include buying only what you can afford and borrowing only what you can pay back. That's a vast oversimplification, but it's still a safe guide to follow in building up a credit history of your own.

It is, after all, *your* credit history. It is a file of purchases *you* have made and loans *you* have assumed, and how *you* have repaid these debts. It is a record that *you* write. What goes into it, and what lenders judge from it, is, in the final analysis, up to you.



DEFINITIONS OF CREDIT TERMS

Applicant — an individual who applies for credit.

Assets — property, car, stocks, bonds, savings account.

Collateral — property, car, stocks, bonds, savings account which may be used to secure loans.

Co signer — an individual who signs someone else's loan and becomes equally responsible for it.

Credit —

1. ability to purchase or borrow on trust;
2. loans of money or goods on the promise of ability and willingness to repay.

Creditor — an individual or company to whom money is owed.

Credit Bureau — an agency which collects consumer credit information from its members.

Credit History — the record of an individual's borrowing and payments.

Creditworthiness — ability and willingness to repay as shown in credit history.

Finance Charge — interest charged for the use of credit.

Interest — compensation for the use of a lender's money. Interest rates are established by state law.

Line of Credit — the maximum amount of credit a lender will extend to a borrower at any one time.

Mortgage — a document pledging property to a creditor to secure payment of a loan.

Revolving Credit — a continuing line of credit.



MARYLAND COMMISSION FOR WOMEN

The Maryland Commission for Women is a State Commission affiliated with the Department of Human Resources. The twenty-four members are appointed by the Governor. Commissioners include both men and women experienced in public affairs, private industry and volunteer activities, who represent various groups and geographical regions of the state.

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