Consumer Debt and Credit Repair for HT Survivors: Tips for Advocates

Coerced debt, identity theft and fraud, and poor credit can be significant barriers to trafficking survivors as they work to find stable employment and safe housing and to move forward with their lives. Survivors may be grappling with debt accrued before, during, and after being trafficked. Traffickers often target potential victims who are struggling financially and who have experienced family instability, past neglect or abuse, and other inequities that impacted their financial security. During their trafficking experience, survivors may be coerced into opening accounts, taking out loans, paying bail bonds, or signing a lease. Some traffickers fraudulently use survivor's identification information to open credit cards, lease apartments, or sign up for utilities. Later, survivors may be unable to cover bills or have outstanding debt from emergency medical care or unfinished schooling.

Advocates and attorneys can assist by asking about survivors' financial situation: What are their concerns and goals? Have they been contacted by creditors or sued in court? Have they looked at their credit reports? Once the extent of debt and credit repair needs are known, survivors can pursue various remedies to improve their financial situation.

REMEDIES FOR SURVIVORS FACING COLLECTIONS AND CIVIL SUITS

Survivors facing consumer debt and collections can consider the following:

- Negotiating with Creditors – Not advised as this can be very tricky for individuals to manage without help, as creditors often ask for proof of income and bank information to make garnishment easier.
- Bankruptcy Bypass – Available if an individual's income is non-collectible (e.g., disability benefits, social security), and the client has limited assets (under $6000 in savings, etc.); includes attorney intervention to stop creditor harassment.
- Filing for Bankruptcy – These proceedings are complex and often not recommended unless an individual has over ten thousand dollars in debt. Consultation with a lawyer is strongly recommended.
- UPDATE - End of Body Attachments and Debtor Prisons in Maryland - As of Oct. 1, 2023, civil arrest for debt will no longer be allowed per implementation of HB 127. This critical legislation will prevent creditors from obtaining warrants for arrest in debt collection-related civil cases.

For assistance with debt and collections cases in Maryland, including information on the remedies above, please reach out to the Human Trafficking Prevention Project at www.mvlslaw.org/ht/gethelp

NEW OPTIONS FOR CREDIT REPAIR FOR TRAFFICKING SURVIVORS

In 2021, Congress passed the **Debt Bondage Repair Act** that prohibits Credit Reporting Agencies (CRAs) from issuing consumer reports that contain negative information that results from a survivor's trafficking experience. In 2022, the Consumer Financial Protection Bureau (CFPB) produced a Final Rule creating a process for survivors to request CRAs' removal of such negative information and providing guidance and practical examples for parties seeking to use the new law. This process is a powerful new tool for survivors seeking to rebuild their credit as it requires all CRAs – including the three major credit bureaus, Equifax, Experian, and TransUnion – to remove negative information from survivors' credit and consumer reports that are related to sex and/or labor trafficking. To access this new remedy, applicants need to provide a CRA with:

- Proof of identity
- A victim determination letter from a government agency or authorized non-governmental agency that verifies the applicant's status as a sex and/or labor trafficking survivor and
- A list of the specific negative information to be blocked, including unpaid bills, loan defaults, collection accounts, credit card defaults, records of opening and closing of accounts, late or unpaid rent, and criminal and/or eviction records.

Once the request letter and documentation are received, agencies have four days to remove the negative reports. If a CRA has questions about the request, they have five days to request supplementary information. After receiving that information, the CRAs have 25 days to decide, and survivors **must** be provided with an updated report and documentation regarding a decision. If a CRA does not remove the requested information, a complaint can be filed with the CFPB. For further information on this process, see:

- The CFPB's online article "I'm a victim of trafficking. How can I block items from my credit report resulting from trafficking?" (https://www.consumerfinance.gov/ask-cfpb/im-a-victim-of-trafficking-how-can-i-block-items-from-my-credit-report-that-are-the-result-of-trafficking-en-2127/) which includes a link to a CFPB sample letter to CRAs.
- Fast Facts from the CFPB can be found at https://files.consumerfinance.gov/f/documents/cfpb_fcra-trafficking_fast-facts.pdf

The HTPP at MVLS provides assistance with this new credit repair process to survivors; for more information, please contact us or make a referral at www.mvlslaw.org/ht/gethelp.

ADDITIONAL RESOURCES:

Credit Repair:

- Free credit reports from the three major credit bureaus (currently one free each week) are available at www.annualcreditreport.com
- In MD, the Department of Labor has additional information about consumer protection and accessing credit reports available at https://www.dllr.state.md.us/finance/consumers/creditrepc.shtml
- Lists of other CRAs, including employment, tenant, bank, personal property insurance, medical, low-income and subprime, utilities, retail, and gaming, are available at https://files.consumerfinance.gov/f/documents/cfpb_consumer-reporting-companies-list_2023.pdf.
- Polaris Project and the NJ Coalition Against Human Trafficking have a guide to Credit Repair for Survivors of Human Trafficking available at https://polarisproject.org/wp-content/uploads/2022/07/Credit-Repair-for-Survivors-of-Human-Trafficking.pdf

Addressing Identity Theft with Trafficking Survivors:

- An Identity Theft Toolkit from the Federal Trade Commission is available at https://www.identitytheft.gov/#/.
- Resources from the MD Attorney General are available at https://www.marylandattorneygeneral.gov/Pages/IdentityTheft/default.aspx.

Protecting Credit – Fraud Alerts and Freezing Accounts

- A **Fraud Alert** on credit reports requires creditors to verify identity before processing credit applications; anyone can get a one-year temporary alert, and an extended freeze requires a police report. A **Credit Freeze** blocks access to credit reports together until it is lifted. There is no cost to activate or lift the freeze.
- Anyone can place these on their accounts by contacting the credit bureaus directly:
    - Equifax - Equifax.com/personal/credit-report-services
    - Experian - Experian.com/help
    - Transunion - TransUnion.com/credit-help

Student debt:

- For information on all federal loans, visit: https://studentaid.gov/
- For information on resources regarding repayment plans see: https://www.studentloanborrowerassistance.org/
- For information regarding options for repaying your federal student loan, visit: https://www.consumerfinance.gov/paying-for-college/repay-student-debt/

Building Positive Credit and Working Toward Achieving Financial Goals:

- See new resource from Moore & VanAllen and Lexington Law - Tools for Your Financial Life - a financial empowerment website for trafficking survivors that provides information on credit repair, building good credit through safe banking, and developing financial literacy tools that help you work toward achieving financial goals, including retirement, owning a home, and building a small business.
- For information on secure credit cards, www.nerdwallet.com/best/credit-cards/bad-credit.

*****Avoid for-profit credit repair and debt settlement companies*****

This tip sheet was created as a part of the Human Trafficking Prevention Project (HTPP), a collaboration between the University of Baltimore School of Law and Maryland Volunteer Lawyers Service (MVLS).

Recommendations on this tip sheet are adapted from the HTPP webinar:
"Consumer Debt and Credit Repair for Human Trafficking Survivors" https://www.youtube.com/watch?v=IHvKk6cCTS0 featuring guest presenter **Aja' Mallory, Esq**., Senior Attorney, Consumer Protection Project at MVLS

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