



## ASK DR. KAREN – Mortgages, Money and Credit

NOTE: We have deviated from our regular format this month to bring you some fascinating summer reading.

No, it's not a beach novel, but it's every bit as gripping – and very important for your post-vacation mental health...

It concerns your financial privacy and some things you need to know right now to protect your credit rating and avoid becoming an identity theft victim.

You may think you've heard it all, but I guarantee you haven't.

Here's the latest: Credit bureaus have a disturbing new revenue stream – broadcasting your personal financial information the minute you apply for a loan. The results can be catastrophic.

### A SAD, BUT TRUE STORY

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#### Can it really happen to me?

Sandy (not her real name) attended one of my first-time home buyer seminars several months ago. One of the first steps for first-time buyers is to become educated about their credit – how their score is compiled and how to get ready for buying a house. She left class with an action item to get her free annual credit report. Sandy had never applied for credit (She is 25 and had been floating the parents' coat tails).

To her dismay, her report showed seven lines of credit she had never heard of. To make matters worse, they are all in collection and there is even a judgment against her!

*SAD STORY (Continued on page 2)*

### INSIDERS' GUIDE TO PROTECTING YOUR PRIVACY – Prevention is key...

Most of us comply with requests for personal information simply because we're asked for it. Even if we're not comfortable with the requests, we comply out of a desire to "not make waves." Sadly, in today's financial environment, your financial boat will be rocked if you continue to comply with unnecessary disclosure requests.

*Q. Dear Dr. Karen: My brother just refinanced his home. After applying for a mortgage, he was inundated with offers from other companies. He was so confused he almost didn't refinance. Isn't this an invasion of privacy, and how can I protect myself now that I want to refinance? – R.K.*

*Q. Dear Dr. Karen: I just received a notice from a doctor's office saying my personal information may have been on a list that was "compromised." Should I panic? – Kathy F.*

**A.** Every now and then, I test the waters and act as if I am a consumer out in the big world of finance to see what my clients are up against. So when I used an outside service to pull my credit from each one of the "Big 3" credit bureaus, imagine my surprise when I received 26 phone solicitations to buy a mortgage – AT MY JOB!

Unfortunately, selling "hot leads" to mortgage companies is a bustling cottage industry. Credit bureaus are selling your personal financial information – *without your consent* – the minute you apply for credit to "lead brokers," who resell it to mortgage companies that are only too willing to buy leads. In some cases, mortgage companies are selling names as well as buying.



© Photographer: James F. ...

#### Newsletter Spotlight

*'Remember, prior to giving out your information ASK 'What do you need this information for? What are you going to do with it? How will it be protected?'...'*

*PRIVACY (Continued on page 2)*

This was the time to go into battle mode: A judgment means wages can be garnished at any moment. Worse yet, in reviewing her report, it was clear her social security number had been "used" for more than 10 years. That means it started when she was 15! (Children and the deceased are the biggest targets in social security fraud cases.)

Sandy had waited months to buy a house in this great buyers' market. Rates and programs have all changed, limiting her options. Months of headaches, police reports and calls from duped creditors have soured Sandy on the entire credit system — and I can't blame her.

How did this happen?

Somehow her high school "dumped" old computers. Guess what was on those old computers that someone picked out of the trash?

**Bottom line:** Consumers are not protected by privacy laws. The loopholes and blatant violations of the few that exist make it clear this issue is spinning out of control. Remember, prior to giving out your information ASK, "What do you need this information for? What are you going to do with it? How will it be protected?" And make a determination whether or not you need to share it — you are preventing an unnecessary exposure to identity theft and certain misery.



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Newsletter Spotlight

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old computers that some-  
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trash?'*

I believe, as most folks do, that this is a monumental invasion of privacy — by the very people who purport to be protecting you. I completely disapprove of this and refuse to participate in the credit bureaus' buying or selling of names.

As a mortgage broker, I've been approached by several companies, eager to sell updates about people who apply for mortgages, usually on an annual subscription basis. Since none of these vendors (including the credit bureaus) asked me anything about my background, it's obvious they're selling the information to anyone willing to pay.

That means your address, social security number, birth date, credit card numbers and other financial information is literally up for grabs. So how do you protect yourself — and your credit information — from being passed around without your knowledge or consent?

1) **Lock up your credit.** Place a security freeze on your credit report so no one can access your records without your consent. Twenty-six states, including New Jersey, New York, Pennsylvania and California, give consumers this right. Call toll-free 888-567-8688 or visit [www.optoutprescreen.com](http://www.optoutprescreen.com). Although you'll be asked for personal information, it's only to process your opt-out request. You can unlock the credit any time you want.

You can also contact the three major credit bureaus by mail: Equifax, Experian TransUnion. (See below for addresses.)

2) **Pull your credit report — for free — once a year at [www.annualcreditreport.com](http://www.annualcreditreport.com).** Everyone has a right to do this, so there's never any need to pay for this information. Stagger your requests once every four months among each of the three major credit bureaus to keep tabs on it regularly. (Note: if you froze your credit report, remember to unfreeze it temporarily!)

3) **Find a mortgage professional you trust.** I have found that there tends to be two kinds of people in the mortgage business: a) long-term professionals who build strong relationships with clients, and b) people who are "trying out" the mortgage business who don't build long-term relationships and who often resort to gimmicky or misleading advertising. (Go online to see a related story in the May 2007 E-Zine, "MORTGAGE BROKERS' QUALIFICATIONS — How to tell the good from the bad...")

Meanwhile, a word to the wise: Three of the largest mortgage companies, Countrywide, World Savings/Wachovia and Wells Fargo, have employees who are notified whenever a customer applies for an outside loan. I am told by clients, and my own experience agrees, that they hound you to death. Is this the kind of practice you want to support? If not, consider doing business with companies that respect your privacy.

4) **Don't give personal financial information to anyone unless it is absolutely necessary.** My favorite response to the per-

son who says "they need it" when asking me to disclose my personal information is this: "I'll give you mine if you give me yours, because *I* need it." (I've already mentioned the sales/quoting process above, which can apply to insurance, financial products and services. This also applies to car dealerships, doctors' offices and everyone else!)

No one should ask you for your social security number or other information until you've chosen your lender, bank or mortgage service and are ready to apply for financing. When you do apply, be sure to ask if the people who have access to your information are bonded and insured and what other security measures the company takes with your information. If you're not comfortable with the answers, move on until you are.

If your social security number is being used as your health insurance identification, call your insurance carrier and CHANGE IT. Recent studies show that the medical arena is a large contributor to identity theft.

Final note: If you look at your social security card it says right on it that the card is NOT to be used for identification purposes!

5) **Protect yourself from identity theft.** For additional information on preventing identity theft, visit the Financial Privacy Now Campaign ([www.consumerunion.org](http://www.consumerunion.org)), the Identity Theft Resource Center ([www.idtheftcenter.org](http://www.idtheftcenter.org)) and Privacy Rights Clearinghouse ([www.privacyrights.org](http://www.privacyrights.org)). I offer these not-for-profit resources as they are accurate and concise.

Everyone needs to become aware of how to prevent circulation your personal information. A hundred percent of identity theft originated with the victim sharing information (unknowingly in most cases) with the source that it was stolen from.

6) **Cancel identity theft monitoring services.** Most commercial services are overrated, overpriced and have severe limitations, according to the Federal Trade Commission and several consumers' groups, including Consumers Union. Monitoring services don't alert consumers when other people are using their social security numbers. (The term is called fragmented files and you can read more about it at [www.consumerunion.com](http://www.consumerunion.com).) Because of how the credit system operates, they're unable to determine fraudulent use.

In addition, most services monitor only one credit bureau, not all three. And delays in reporting (for almost everything but loan applications!) means you might not find out some identity theft until at least 60 days after it happens.

**Bottom line:** Financial privacy is a complicated, serious issue. Everyone needs to take steps to educate and protect themselves. Please call me toll free at 866-545-3138 if you have any questions on this. I'm more than happy to spend time educating you about anything related to your credit rating or mortgages.

To opt out:

Equifax Options Box 740123 Atlanta, GA 30374	Experian Consumer Opt-out 701 Experian Parkway Allen, TX 75013	TransUnion Name Removal Option Box 505 Woodlyn, PA 19094
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*Have a question to ask Dr. Karen? Email her directly at [info@KarenMonroy.com](mailto:info@KarenMonroy.com), your question could be used in an upcoming E-Zine!*

**CALL DR. KAREN MONROY,  
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