

Overdue Library Books Can Hurt Your Credit Score!

As municipal governments increase efforts to collect unpaid parking tickets, dog-catcher fines, library fines and the like, some consumers are seeing a surprising impact—a radical drop in their credit scores.

To each individual consumer, the fines in question may be very small and collection actions may seem petty and unnecessary. For many cities, however, these unpaid fines and fees add up to millions of dollars a year. Those dollars can be collected with little investment by the cities if they're turned over to private collection agencies.

Private agencies typically charge a percentage of the balance actually collected, so there's no risk to the government. The risk to consumers who don't make those payments in a timely manner, however, is significant. That's because collection agencies report delinquencies to the three major credit reporting agencies. A single collection item can drop your credit score as much as 100 points. Many consumers don't know that charges like this can affect their credit.

While not all municipalities use private collection firms, the trend is increasing across the country. As government collection activity rises, so does the number of consumers surprised to discover that they're paying higher interest rates—or being turned down altogether—because the kids lost a library book or they neglected to renew Rover's license.

If such charges are already appearing on your credit report, you may be able to negotiate their removal in exchange for payment. Getting items removed from your credit report can be a long and stressful process, though, and there's no guarantee that you'll be successful. The best defense is to be aware of the risks and make sure you pay those parking tickets on time.

Short note about the author

Tiffany Sanders is an attorney who has published two books. Her articles have appeared in numerous newspapers, magazines, newsletters, and web resources in the United States and Australia. She writes bankruptcy law news and articles for www.TotalBankruptcy.com, where sponsoring attorneys provide extensive consumer information and resources related to bankruptcy filing and rebuilding credit after bankruptcy.

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