

- o You have the right under federal law to challenge items on your credit report. But the process of correcting your report can take months and is very frustrating.
- o If a credit bureau refuses to correct a mistake, you can sue them.
- o Get copies of all three credit reports six months before you apply for a home loan. If a credit report error keeps you from getting a loan, you'll lose the house.

• Contacts •

Equifax Information Service
800-685-1111
www.equifax.com

Experian
Experian National Consumer Assistance Center
888-397-3742
www.experian.com

TransUnion
800-888-4213
www.transunion.com

• Internet •

www.eloan.com (Free credit score)
www.myfico.com (Explains credit scoring)
www.worthknowing.com (Free credit reports and scoring)

* Divorce *

Remember Statute of Limitation

People often get so caught up in the emotions of a divorce, they forget the financial aspects. I think that's human nature. I can tell you from personal experience that divorce is one of the most painful experiences you can go through.

Still, during this period when you are vulnerable emotionally, you also are vulnerable financially. You have to protect your financial interests by terminating not just the marriage but all joint financial obligations.

If you have credit cards that are jointly

Note: Financial aspects was the personal experience

owned, the accounts must be paid off and closed, and each party should obtain credit in his or her own name. This is essential so that neither spouse is responsible for the other's bills. Even though the divorce decree says your ex-husband is supposed to pay the credit cards, sometimes he doesn't and the credit card companies come after you. I get callers with this kind of problem all the time.

If the credit card accounts are not closed, you can be hurt in two big ways. One, even though you may have paid all your bills and maintained a great credit rating, your credit can be ruined and you can get knocked out of the credit market. That's trouble if you want to buy a home or a car.

Second, though you may not realize it, you are financially responsible for the credit card debt, even if your former spouse gets the merchandise. That's because a credit card agreement, like any joint credit agreement, is legally superior to the divorce decree. The contractual obligation continues regardless of what the divorce decree says. If you pay off and close those accounts, you have nothing to worry about. Otherwise, you have a time bomb waiting to explode, sometimes months or years later.

Your only recourse if your former spouse runs up debts and then reneges on the obligations is to call your divorce lawyer and file an action based on the divorce decree. But that doesn't change the fact that you owe the money to the credit grantor.

★ Another important asset to think about is your house. It doesn't matter if you sign over your rights to the house to the other partner. The obligation on the mortgage is

where you're at risk. Before reaching a final agreement on the divorce, you need to know whether the person keeping the house can qualify for a new mortgage alone. If he or she cannot, the house should be sold so that neither party is responsible. If both of you remain on the loan, the one who leaves the house has no advantages and lots of disadvantages. You really have a problem if you can't sell the house.

If you're both listed on a car loan, the same problems can occur as with a house or credit cards. But there is a complication. If it's a five-year loan, and you're early or mid-way through the loan, the vehicle usually is worth less than the amount owed. If that's the case, you will need some additional money to refinance the loan or sell the car and pay off the existing loan.

Another item not to ignore in the process of divorce is each spouse's retirement plan and, if there are any, stock options. There could be more money at stake in those things than everything else the couple has.

Lawyers hate it when I say this, but I believe strongly that couples should try divorce mediation rather than immediately getting separate lawyers, going into enemy camps, and duking it out. Divorce has such a tremendous emotional toll on the individuals involved, and the legal process, being adversarial, only increases the hurt, distrust, and anger. Some municipalities now require that mediation be used in all civil cases, including divorce, before the parties may appear in court.

If children are involved and the parents

80 I Get Clark Smart

→ liability until paid off (mortgage)
Removing names from contract

Divorce mediation (family)
should be a priority
if one spouse doesn't have
an attorney

1. Financial - Debt owed to wife

2. Name Removed From House, due to Credit damaged

fight about the divorce, they both have something to lose as the process marches on. I know of one couple that wound up in a shoving match at a shopping center after the father made off with the couple's two-year-old son in front of their young daughter. That's a tragedy for the whole family.

Another couple I know of tried mediation and share joint custody of their five-year-old daughter. She spends four days each week at Mom's house and three days at Dad's house and everyone gets along very well. The parents live close to each other and in the same school district. Forget money for a minute and consider your relationship with your children and your children's future well-being. Mediation becomes a great tool to try for a divorce without so much hostility.

However, divorce mediation is not the entire answer. A mediator merely tries to get the two parties together and to reach an agreement they believe is fair. But before a mediation agreement is final, each party should have it reviewed by an attorney who specializes in family practice law. In the end, you need a lawyer's expertise to point out elements of a proposed mediation agreement that may be unwise or unfair to you. If you skip this step, and I know of at least one person who did, you could get burned.

Child support is a major financial issue of divorce. The noncustodial parent who doesn't pay child support is almost a cliché now. Lots of parents do pay it, but collecting child support, either because of underpayment or nonpayment, has become a major national

problem. Generally it's the mother trying to collect child support from the father.

Many states have child-support recovery offices, but as a group they are abysmal failures, mostly because the caseloads are so enormous. They can be good sources of information, however. They can tell you, for example, that the law allows you to collect back child support even after a child turns eighteen, and that you can go back to court during the child's lifetime and request an increase in support payments. But actually collecting the money can be next to impossible if the parent truly doesn't want to pay.

The difficulty in collecting child support has spawned a booming industry—child-support collection agencies. Some are traditional collection agencies that have gone into this as a sideline. Others do nothing but collect overdue child support. For a mother who's dealing with a father who has never paid or has not paid for months or years, this could be an answer. But beware of collection agencies that ask you for money up front before they'll start collection efforts. Don't pay. Also, if a collection agency wants more than one-third of the total due, look elsewhere.

Finally, there's the problem of what to do about income taxes. One spouse generally accepts responsibility in the divorce decree for income taxes that may result from audits of prior years' tax returns. If your spouse is involved in a business, you may want to indemnify yourself in the decree from tax responsibilities of the business. The IRS has improved its "innocent spouse

Ex-husband
Fail to
pay off
finances

↓
Student
loan
Still
pending

↓
This
should
have
been
paid
off by
then

Credit
Card
of
700.00

or
over
700.

(I was
Debt
Control)

Attorney had a top priority
case (Adoption) a Referral for mediation should have
been made. A mediation agreement would be reviewed by attorney.

rule" and if you can show clearly that you were not involved in deceiving the IRS, you will not be responsible for the tax obligation of your spouse.

Innocent spouse rules also may apply at the state level. There was one case in which a woman received innocent spouse status but her ex-husband was forced to pay \$2.2 million in fines and fraud penalties. He had tried to avoid state taxes by claiming he lived in Florida, which has no income tax.

She didn't know anything about what he was doing. The state eventually figured it out when he sold his company.

If the tax return hasn't been filed for the year prior to the divorce, you have the option of filing jointly or separately. You pay a higher rate if you file separately, but you should consider it because it can protect you from your spouse's tax liabilities for that year. After the divorce, of course, you are single and file separately.

• Tips on Divorce •

- ✱ You have to protect your financial interests in a divorce by terminating not just the marriage but all joint financial obligations. That includes credit card accounts, mortgages, and jointly held loans. Refinance the loans or sell the house or car. *Statute of limitation is needed before the final divorce decree is needed. 2 mths. are needed for those last mths.*
- If joint accounts are not closed, you are legally responsible if your ex-spouse doesn't pay, no matter what the divorce decree says. Your credit can be ruined and you can get knocked out of the credit market. *Ex-spouse is bound on*
- Make sure to consider each spouse's retirement accounts and stock options, if there are any.
- Consider divorce mediation, a less adversarial process than using lawyers, in which a mediator tries to get the two parties together to reach a fair agreement. But be sure to have any mediation agreement reviewed by a lawyer.
- If your ex-spouse is months or more behind in child-support payments, consider using a collection agency. Don't pay anything up front and don't pay more than one-third the amount due in collection agency fees. *Make payments*

• Contact •

Association for Conflict Resolution
1527 New Hampshire Ave. NW, third floor
Washington, D.C. 20036
www.acresolution.org
(202) 667-9700

Emotional Predator

Anger as control

*View Self as Victim
NOT Unhappy*

*Has a Sense of
Entitlement*