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**Extending Consumer Credit Requires Compliance With Federal Laws**

**By Henry J. Fasthoff, IV**

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**IV**

NOTE: THIS IS ARTICLE IS FOR INFORMATIONAL PURPOSES ONLY. IT IS NOT INTENDED TO BE CONSTRUED AS LEGAL ADVICE.

It is important for any prospective business purchaser to perform due diligence in researching a potential target business. Some of the documents you will need to collect and review in your analysis of whether a particular business would be a good acquisition include the following types of documents.

**1. Corporate and Organizational**

- o Certified copy of articles of incorporation and bylaws of company and subsidiaries as currently in effect;
- o Partnership agreement and any amendments thereto;
- o A copy of the most current organization chart available of the company;
- o A list of states and foreign countries (if any) in which the Company is qualified to do business; and
- o All names under which the company has done business in the past five years; this includes registered and unregistered trademarks, fictitious name statements (commonly referred to as "d/b/a filings").

**2. Financing Documents**

- o All loan agreements, debt instruments, and other financing instruments, and all related material documentation, to which the company is a party.

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- o A list of all mortgages, liens, pledges, security interests, charges, or other encumbrances to which any property (real or personal) of the company is subject and all related material documentation;
- o Schedule of all short-term and long-term debt (including capitalized leases, guarantees, and other contingent obligations).

### 3. Financial Statements

- o All audited and un-audited financial statements;
- o Brief description of contingent liabilities involving the Company, such as pending lawsuits and threatened litigation;
- o Name of accountants and length of relationship with accountants; indicate whether the accountants own any interest in or hold any position with the Company or its subsidiaries;
- o Budgets, business plans or projections (for the Company and any of its subsidiaries) made on a quarterly, annual or other basis during the past 3 fiscal years.

### 4. Contracts & Leases

- o Real estate leases. Consider the term of the lease and the quality and location of the space and decide whether your business needs would be satisfied;
- o Equipment leases;
- o Purchase and sale contracts for goods and services [uniforms; food suppliers]

### 5. Tax Matters

- o Are back taxes owed?
- o Are there any pending tax suits?
- o Does any local, state or federal taxing authority have any liens against the real property or business personal property you would be acquiring? If so penalties, interest and attorney's fees could greatly increase the cost of satisfying the tax lien.

### 6. Identities of All Directors, Officers & Shareholders

- o You ought to perform a background check on each of these people to see whether there is any pending litigation against them.

### 7. Owned Real Estate

- o Need a list of owned real estate to help in valuing the business and determining liabilities.

### 8. Insurance

- o You would want to have copies of the insurance policies, as well as the name and contact information for the insurance agent, going back four years from the time of purchasing the business. Check to see whether the insurance policies would cover you, as the new company, for any damages alleged to have occurred before you acquired the business.

Finally, many other factors related to financial and other matters must be considered before taking the plunge.

## **Knowing Your Credit Rights**

**By T.B. Collins**

### **Knowing Your Credit Rights by T.B. Collins**

There is an old statement that holds true when trying to restore your credit rating, and the statement is "knowing is half the battle." This statement exemplifies what consumers who have had past credit problems should do, and that is to learn everything they can about credit repair. Repairing or rebuilding your credit is not a simple task, and knowing what laws protects the consumer and how to use them is the first step in this process.

The Federal Trade Commission has established a set of laws to protect the consumer from abuses by credit reporting agencies. These laws are designed to make sure that the consumer's credit file is accurate and up-to-date; this law is commonly known as the Fair Credit Reporting Act. The F.C.R.A. is the strongest tool the consumer has to ensure that what is reported by credit reporting agencies truly reflects what is contained in their credit file.

Before these laws were enacted, the consumer was at the mercy of the credit reporting agency, not to say that there were abuses, but finding out what was contained on your credit file was almost impossible. This is why under these laws the consumer has the right to request a copy of their credit file at anytime they choose, also there is a new law that requires credit reporting agencies to provide a free annual credit report to consumers in certain states.

The importance of knowing what is contained on your credit is that you have an opportunity to correct any inaccuracies contained in the credit file. The most common of the inaccuracies is out of date information including incorrect address, employment, and repayment history. This information can decrease your credit score dramatically, and have a negative impact when viewed by credit grantors, so knowing what is contained on your credit file is a major benefit provided by this act.

Now that you know what is contained on your credit file, it is time to repair some of the negative comments contained in the file. The Fair Credit Reporting Act gives the consumer the ability to dispute inaccurate information contained within the report, and this can include entries that are not yours,

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entries that are past the time limit, and entries that have been corrected but not reported.

You as a consumer have the right to repair your own credit, but as stated before this is not a simple task, and will require a lot of time and patience. That is why there are agencies that are willing to help you repair your credit, and these agencies are also regulated by a federal law call the Credit Repair Organizations Act, this act provides safeguards to protect the consumer when dealing with credit repair companies. To find a credit repair company to assist you to repair your credit, just do a search on your favorite search engine, a recommended repair organization is, Millennium Credit Service their website address is <http://www.millennium-credit.com>.

Another important act passed by the Federal Trade Commission concerns what actions are legal for debt collectors and collection agencies. This act known as the Fair Debt Collection Practices Act was created to stop harassment by debt collectors, it outlines when and at what time collectors can contact the consumer. It also covers what actions can be taken by the consumer if they feel they are being

harassed by collection agencies, and how report harassment if it occurs.

These two acts, the Fair Credit Reporting Act, and the Fair Debt Collection Practices Act are intended to protect the consumer against abuses, but if you are unaware of these acts, then they will not be able to benefit you in restoring or rebuilding your credit. To find out more information on these acts visit the Federal Trade Commission's website at <http://www.ftc.gov>. Once you are familiar with what rights you have under the law, you will be able to take control over what is contained in your credit file, and if necessary dispute any inaccuracies contained in the file.

T.B. Collins is the president of Millennium Credit Service, and has been offering credit repair advice for over 10 years. To find out more visit <http://www.millennium-credit.com>



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