

Highlights

- Credit Card Payments**
 If your credit cards are not already under a debt management or debt settlement program, you could be in for an unpleasant surprise
- Misinformation can cost you**
 Well meaning advice given by friends or relatives can lead to bigger and more worrisome financial headaches.
- Identity theft causes problems**
 Identity theft happens when an opportunity arises and thieves are not very particular to one's age, if there is a credit/debit card number to be had.

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A Non Profit 501 (C)(3) Organization

Credit Card Payments Are On The Rise

If your credit cards are not already under a debt management or debt settlement program, you could be in for an unpleasant surprise in the coming months. If you are one of the millions of Americans who just pay the minimum amount required on your monthly credit card bill, or even pay slightly more, get ready to dig a lot deeper into your wallet. This is because federal regulators have asked the major credit card issuers to raise their minimum required credit card payment in an effort to help consumers reduce their indebtedness more quickly and save on interest. Right now most credit card minimums are calculated at about 2% of the outstanding monthly balance. Therefore, if a consumer has a \$10,000 balance and has an APR of 13 percent, and only makes the minimum 2% payment presently required, it will take 33 years to pay off the balance – while paying an outlandish \$11,450 in interest! These 2% minimums were intentionally set artificially low, barely covering interest and fees on the card, while hardly making a dent in the balance owed, and thereby saddling the consumer with a long term debt.

Under the new parameters suggested by the fed, that same \$10,000 debt at 13 percent APR with a 4% minimum payment, would be paid off in less than 13 years with a total of \$3,664 in interest.

On the surface this appears to be a real boon for the consumer, but on closer inspection, this requirement could spell disaster for many. While many consumers are already paying more than the required minimum, according to recent data over 1 in 4 credit card consumers make only the minimum payment some months. Another 1 in 4 cur-



rently pays more than the required 2% but less than the 4% that will by years end be required by most creditors. It is a reasonable and logical conclusion that the rationale behind people only paying these minimum amounts is because that is all they can afford. After all, who would intentionally fetter themselves to a debt for 20-30 years if they didn't have to? Therefore, it is unreasonable to expect those who only pay the 2% minimum, or slightly more, to be able to fork over the additional money a 4% minimum requires. For example, as we illustrated above, under the old requirement, that \$10,000 credit card balance would require a minimum payment of \$200. Now, that same minimum would jump to \$400! Multiply this by several credit cards (the average consumer has 8) and it's easy to see how this could wreck havoc with even the most well conceived budget.

Over the third and fourth quarters of this year, almost all major creditors will be phasing in these new increased minimum payment plans. So keep a close eye on your statements in the coming months.

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Misinformation can cost you big time!

In my 9 years in the credit counseling industry, many clients have shared with us the advice given to them by well meaning, albeit misinformed friends or relatives, which instead of resolving their problem, led the client to bigger and more worrisome financial headaches. In the hopes of saving others from making these same mistakes, I would like to share some of this so called “friendly advice” and debunk some of the myths associated with them.

Myth: *You can't deduct interest paid on a home equity loan if the money is not used for home improvement.*

Fact: While I have never been a proponent of putting the family home in jeopardy by taking a home equity loan, the fact is, in almost every instance, that you can use the money for any use while at the same time take a tax deduction on the interest. With home equity loan interest rates at historical lows and home values on a steep rise, a growing number of people have decided to pull equity out of their homes to buy a car or pay off high interest credit. What many fail to realize is, should there be an unforeseen financial setback, you may now run the risk of losing the family home, and with the dramatic increase in the number of foreclosures and defaults in recent years, there is strong evidence this route may not be the “cloud with a silver lining” that many thought it was just a few short years ago. Before taking such a drastic step, consult your tax advisor to make sure this is the right choice for you and to determine that if you decide to move forward, the interest would indeed qualify as deductible. Remember, everyone's financial situation is different, so what worked for your neighbor or friend, may not be the right solution for you.

Myth: *If I co-sign a loan it's no big deal, after all, I'm just a back up.*

Fact: Nothing could be further from the truth! The fact of the matter is, if you agree to co-sign a loan or a credit card, you are agreeing to pay that debt, in full, if the primary borrower defaults or in some cases, even misses just **one**



payment! So if someone approaches you with this request, no matter how well you know them or how reliable they seem, tell them you are sorry, but you cannot oblige their request. After all, if they were such upstanding citizens, had a steady, well paying job and handled their prior debt responsibly, they probably wouldn't need a co-signer in the first place!

Of course, there are always exceptions to the rule, such as when your child is seeking credit for the first time and will only qualify with your help. In these instances, make sure they fully understand the consequences you face should they have difficulty in repaying. Sit them down beforehand, formulate a budget and most importantly, let them know you are there only in the case of an extreme emergency, and that you are doing this just this one time simply to help them establish credit for the future. Make sure they fully understand the importance of handling credit

responsibly. And in the end, if you do agree to co-sign, read all the documents carefully beforehand, so you know your responsibilities. Also, try to renegotiate any clauses with which you do not agree.

Myth: *If I die, any debts I have are wiped out and my estate does not have to pay them.*

Fact: Wrong! Creditors have full recourse against your estate, whether it includes cash, stocks, IRA's, 401k's, cars or property. Although some creditors may forgive the debt of the deceased, most do not. It is required that the trustee or heirs in cases where there is no trustee, must contact all the deceased creditors. These obligations must be satisfied first, before disbursing any of the estate. Of course, if there is no money in the estate, this point is moot.

The good news is that debts cannot be inherited. So unless you have disregarded the advice discussed above, and have co-signed a debt of the deceased before they died, you are not on the hook to repay their debt. So if a parent or child dies, the creditors cannot come after you!

FREE Yourself From DEBT Today !
Call 1-800-790-3882

What To Expect In The First 30-60 Days

The timeframe for completely setting up your account with the various creditors may take about two months or two billing cycles. While we are working closely with each creditor's consolidation process from the moment you sign on with TCCF, the development and acceptance of your personal proposals as well as the ironing out of details, interest rate reductions, the elimination of new penalties and fees all takes a bit of time. We need to make sure we dot every "i" and cross every "t" when it comes to handling the finances of each valued client.



Still, no matter how quickly we proceed on your behalf, each creditor has its own timing to set up an account and complete the process. Like all large organizations, some creditor institutions are quicker than others. And very often, in fact in *most* cases, the creditor's billing department is not aware that you have entered into a debt management and credit counseling program. They are not informed until the entire arrangement has been completed, and after timely payments are established they generally re-age the account, consolidate all amounts

into one final balance, adjust the interest rate and eliminate fees/penalties.

However, and this is important, for the first few months, a new participant in the debt management program might see late fees and possible penalties applied to the bills received. The billing department, completely unaware of your activities in an altogether different department of the financial institution simply (usually entirely through automation) notes a non-payment and adjusts the account accordingly – sending you a bill with no noted payment and a late fee.

This is par for the course, it happens to millions of new consolidation clients every year and it is no cause for alarm. Still, some people feel concerned when this happens, and we encourage you to call us if you get a bill with charges you don't understand. The fact is, for the first couple of cycles this will be the case unless you can afford to make both the minimum payments to your creditors and the new monthly payment your creditors are requiring for your debt management program. As this is not required, nor feasible for the overwhelming majority of our clients, rest assured that once our program kicks in, all the creditors will be on the same page so to speak, and all of the bills after that will reflect the new balances and you'll actually start to see your balances going down more appreciably, with no penalties, no fees and no "past due" notices!

Protecting Your Identity

Identity Theft Causes Problems



Identify theft happens when an opportunity arises where thieves get unauthorized access to supposed secure personal information. Identity theft, including, but not limited to, Social Security

Number (SSN), driver's license, bank accounts, PIN numbers, credit / debit card numbers is one of the fastest growing crimes against consumers, both young and old, says the nonprofit Institute of Consumer Financial Education (ICFE), a San Diego based group.

If your wallet has been lost or stolen, usually within hours thieves may order expensive monthly cell phone service, apply for other credit cards, get credit lines approved and receive a PIN number from DMV to change your driving record information online, and more, unless you make a few very important telephone calls that will limit the damage. First call the three major credit reporting agencies

(Equifax: 1-800-525-6285, Experian: 1-888-397-3742 and Trans Union: 1-800-680-7289) and ask them to immediately place a Fraud Alert on your name and SSN. The alert means any company that checks your credit knows your information was stolen and they have to contact you by phone to authorize new credit.

Next, notify the SS national fraud hotline at 1-800-269-0271. Then, cancel your credit cards immediately. Be sure to have the toll free numbers and your card numbers kept handy so you know who to call. If you have not made a list, a simple way is to photocopy the contents of your wallet (do both sides of each license, credit cards, etc.), then add their toll free phone numbers to the list.

Last, but not least, file a police report the same day, if at all possible, in the jurisdiction where it was stolen, because this proves to credit providers that you are diligent, and is an important first step toward an investigation.

For more information about protecting yourself against identity theft, visit the U. S. Government's Web site on ID fraud: <http://www.consumer.gov/idtheft/> and the National Fraud Information Center at <http://www.fraud.org/>.

THE CREDIT COUNSELING FOUNDATION

\$25**For referring
new clients
who enroll in
our services**

TCCF is offering you \$25 for referring new clients who enroll in our debt consolidation and credit counseling services. Visit our website or call 800-790-3882



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TCCF meets ISO Standards

The Credit Counseling Foundation is excited to announce that we have once again passed, with flying colors; our latest scheduled International Organization for Standardization (ISO) audit for re-registration of our services. Our ISO accreditation assures customers, vendors and others in the business community that our organization meets or exceeds all the required ISO standards, which are among the strictest in the world today. It is no easy feat to be ISO accredited and obtain re-registration on a regular basis. The ISO standards involves the detailed auditing of virtually every process and procedure we follow, from qualifications to client support as well as our work dealing directly with creditors. The ISO is a European based industry group that oversees and verifies the quality control of both manufactured products and the work of service organizations like TCCF. For more information on the ISO standards, visit their website at <http://www.iso.org>



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What To Do When In Debt

Getting out of debt takes a lot of planning, discipline and sometimes changes to your spending habits. It is important for a person to realize they are in debt and are seriously willing to eliminate that debt. Here are few suggestions to follow in order to reduce and possibly eliminate your debt.

- One of the best solution is to contact a reputable credit counseling agency.
- Immediately cease using your credit cards and create a plan on how to pay your cards off.
- Set up and implement a monthly spending plan that will fit your monthly living expenses for both secured debts (auto, house) and unsecured debts (credit cards).
- Consolidate all your unsecured debts into a debt management program.
- Cut up unused cards and voluntarily ask creditors to close accounts & provide letter.
- Buy only what you can afford to pay w/cash or pay full credit card bill (Stick to budget).
- Regularly review credit report (all 3 major-Experian, Equifax, TRW) and dispute any errors.
- Avoid excessive inquiries and opening new accounts...indicates possible desperation.
- Bring delinquent accounts to current status ASAP.
- Pay off accounts that are public records (tax liens and judgments), charge-offs and collections ASAP.
- Negotiate settlements where possible

For more great information on finance and budgeting visit our education website www.godebtfree.com/education

Credit Card Payments (Continued from page 1)

And although some creditors may vary slightly from the 4% formula, make no mistake about it, the minimums are going up, and going up sharply!

Now more than ever, the relief that can be supplied through a debt management or debt settlement service will be increasingly in demand. Short of bankruptcy, which will be considerably harder to qualify for once the new bankruptcy reform bill takes effect October 17, 2005, these two sources of remedy will become the consumers new best friends and only viable and stigma free avenues of immediate relief. Here at TCCF, our friendly and highly trained staff is ready to assist anyone facing the additional burden these higher payments will place on them. We're professionals, so we understand and empathize with your situation. And, if after assessing a client's situation we determine that even a credit counseling payment is still unaffordable, in our commitment to provide our clients with the "gold standard" in service, we will gladly refer clients, free of charge, to an independent debt settlement firm, who is a recognized leader and among the most respected in the debt settlement industry. Both companies stand at the ready to give you a free, no obligation analysis of your financial situation, together with recommendations on how to best resolve the problem.

Therefore, if you, or someone you know, run headfirst into this quagmire in the coming months, why not give us a call (1-800-790-3882), or pass our number along to them! We just might have the perfect solution to the problem. And in addition to helping a friend, you can collect a \$25 referral fee for any client you refer who joins either program. Simply fill out the referral coupon in this newsletter, and we'll take care of the rest!