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Highlights

- **The Importance of Managing Your Money.**
Part 3 of our practical money management series provides some simple rules of thumb to employ in order to improve and maintain your credit.
- **Refinancing?**
What might have been right for your neighbor is not necessarily right for you.
- **Check 21**
Check 21 is the new Check Clearing Act designed to help both consumers and banks, but like anything new, will take some getting used to.

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The importance of managing your money

Part 3 of a three-part series.

In Parts 1 and 2 of our Practical Money Management Series we introduced some good financial habits which will enable you to more effectively take control of your finances. In Part 3 we will provide you with ways to improve, maintain and get the credit you really need when you need it.

There are some simple rules of thumb to employ in order to improve our credit and if there are some blemishes on your credit report, you will want to:

- Bring delinquent accounts to current status as soon as possible.
- Pay off accounts that are public record which include tax liens and judgments, any charge-offs and collections as soon as possible.

Now, once these black eyes are brought to current status, to keep your credit score stable and to possibly improve it you should:

- Keep well below your credit limit on all revolving charges...try not to exceed 20% of your available credit line.
- Cut up unused cards and voluntarily ask creditors to close those accounts and provide a letter to that effect as proof if ever needed.
- Buy only what you can afford to pay with cash or pay your credit card bill in full each month (in other words stick to your budget).
- Regularly review your credit report (get reports from all three major bureaus- Experian, Equifax and TRW- as information can differ from agency to agency (you are entitled to one free report per year, or at any



time if you have recently been denied credit). Immediately dispute any incorrect information and recheck your credit report to make sure that the problem has been properly corrected.

Another area that creditors look at besides your credit score, and many people are not aware of how important this is, is how you conduct your personal life. It is very important to carry yourself in a responsible way both within and outside the financial world. Some of the things your creditors are looking at as well as your credit score are:

- Does the applicant have a stable job? How long have they been there? Do they have a responsible position?
- Does the applicant have a stable lifestyle? Have they been at their residence at least 5 years? Do they own or rent?
- Does the applicant exhibit sound financial stability? Do they have a checking and

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“Check 21” Is Here

With the proliferation of ATM machines, many consumers have gotten away from recording transactions and keeping their check book balances up to date, and instead are taking the easy way out by checking their balances when they use ATM's.

However, with an overhaul in the way banks process checks due to take effect on October 28, it will be advisable to start doing so. Not so much because there might be problems, but because anyone who has a checking account will be affected by these changes. The Check Clearing Act for the 21st Century, known simply as “Check 21,” is the new upgrade designed to help both consumers and banks, but like anything new, will take some getting used to.



Although Check 21 will not become official until October 28, many customers of larger banks may have already seen some of the changes, most notably in their statements and its contents. The intent of Check 21 is to facilitate the processing of checks electronically, and thus eliminate the need to physically transfer the 40 billion paper checks written annually. This flaw in the system was graphically brought to light after the September 11th attacks shut down all commercial air traffic. Although bad weather has historically hampered the flow of checks over the years, 9/11 brought a new sense of urgency to the matter and everyone agreed it was time to join the 21st century when processing checks.

For the average consumer there will be no change on the front

end. You will still write your checks out as usual, but that's where the similarity ends. In the past, funds were not withdrawn from your account until your bank received your physical check. Although some of the smaller banks, such as a savings and loans or credit unions will still have the option to not receive electronic checks, in those instances under Check 21, the receiving bank will send the check to a clearing house which will transmit a “substitute check” to the check issuer's bank. The bank will still get its paper, but it will be much faster. You will still receive your statement, but instead of the paper checks, most banks will be issuing small reproductions of the checks.

On the positive side, this will afford consumers with the added convenience of on-line viewing and the ability to print checks. Of course with every good thing, there unfortunately is a down side. Those who used this lag time to play the “float game” (i.e., writing checks before funds to cover that check have been deposited) are going to be in for a rude awakening. The “float” is dead. Experts predict that under Check 21, a check you write at your local grocery store in the morning could hit **your** bank later that same day!

Another benefit to consumers, is that a bank will only have 10 days to prove it did not make an error, such as deducting a check twice, accepting a forged check, etc. After that, the consumer will be credited with the disputed amount even if the bank has not concluded its investigation. As present law stands, the bank does not have to credit your account until they have completed their investigation.

So let's usher in this change armed with the knowledge that we need to have funds available when we write a check, otherwise, we run a much greater risk of being slammed with NSF charges. Also, let's remember to check our statements thoroughly, report any disputes promptly and handle our checking account with the discipline, responsibility and care it deserves.

Refinancing...Is It Right For You?

With interest rates hovering at all-time lows, it has created a stampede of people who have resorted to refinancing their homes. This has become a very attractive alternative to many who are financially overextended. People are using their homes as cash cows, withdrawing the equity they have built up over the years to pay off their credit card debt. In fact, for some, this may be the choice of preference. However, there are several pitfalls that many overlook in their rush to use this option. First, you are losing all the equity you have worked so long and hard to build up in your home. Second, you have now freed up all those credit cards which you just paid off, which if abused again will get you right back into the same hot water as before, this time with no equity in your home to

save the day. If you do refinance to pay off your credit card debt, you must cancel most of your credit cards to

remove this temptation. Lastly, if you suffer another financial set back, you may now run the risk of losing the family home through foreclosure; all this because you made the tragic mistake of turning unsecured debts, your credit card's, into a secured debt, your home. You should definitely talk with your financial advisor before you refinance to make sure it is the best option for your particular situation. Remember, what might have been right for your neighbor is not necessarily the right choice for you.



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, finance rate reductions, the elimination of new penalties and fees 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 though 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 vast 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!

Other Alternatives

For thousands of consumers who find themselves in a nightmare of debt, credit counseling and debt consolidation has helped them regain their financial health. In more extreme cases some consumers may opt for the alternative of debt settlement. This is where a third party, the debt settlement company, will negotiate a payoff of a lesser amount to each creditor, typically \$.50 on the dollar. This is a cheaper way of getting out of debt, but with debt settlement your credit report may show that the account has been settled. There may also be tax consequences on any forgiven principal. Nonetheless, this has become an increasingly popular choice for those who cannot afford a debt consolidation payment and find bankruptcy distasteful or unethical.



whether secured or unsecured. It may include tangible items such as cars, and in some states, you may be required to include your house.

Since bankruptcy is considered an alternative of last resort, anyone considering this option should seek the advice of an attorney who is well versed in this area before proceeding. Also, the U.S. Congress is presently considering a comprehensive overhaul of our bankruptcy law, and if passed in its present form, would greatly restrict the parameters under which people could seek bankruptcy protection. Additionally this action would require people to first seek credit counseling and explore the option of a debt management program before proceeding with a bankruptcy.

If you are currently experiencing difficulties which preclude making a debt consolidation payment, give one of our counselors a call today. If you qualify, we can recommend an extremely well respected company that may be the answer to your problems.

The last two options, Chapter 13 and Chapter 7 are the most radical and therefore have the most negative impact on one's credit. Simply put, Chapter 13 may include only one's unsecured debt and is a restructuring of that debt, while a Chapter 7 can fully discharge or restructure almost all debts,

THE CREDIT COUNSELING FOUNDATION

\$25**For referring
new clients
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TCCF meets ISO Standards in latest audit



The Credit Counseling Foundation is excited to inform all of our clients that we have passed the latest International Organization for Standardization (ISO) audit for re-registration of our services. The ISO accreditation assures customers, vendors and others in the business community that our organization meets or exceeds all the required ISO standards, among the strictest operating standards in the world today. It is no easy feat to be ISO accredited, and re-registration on a regular basis. The ISO standards involves the detailed auditing of virtually every process and procedure we follow, from sales to client support as well as our work dealing directly with creditors. The ISO is a European based industry group that maintains the quality 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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savings account? Do they have recent inquiries and if so how many?

Of course they will also be looking at the items which most everyone is aware of:

- Does applicant have a good payment history on existing and previous lines of credit? Do they have a credit history free of judgments, bankruptcies, charge-offs, liens or other signs of financial mismanagement?
- Does the applicant have a favorable debt to income ratio? (that is a comparison of your outstanding indebtedness to the income you have to support debt repayment) Does it appear that the applicant is over-extended on credit (at or close to available lines of credit)?

Now, after listening to all this information and advice, some of you might be thinking that this is too difficult to achieve and adhere to over the long haul. Well, your credit problems didn't happen overnight, and they certainly aren't going to disappear overnight. One thing however is certain, if you do nothing, your situation will at best remain static and at worst continue to degrade. So burying your head in the sand will not make the problem go away. However, if you are committed to resolving this problem once and for all, with the proper attitude and discipline you will find, in time that you will have gotten a good grasp on your finances, and with that comes numerous benefits such as:

- When the time is right, and only when used for needed purposes, you will stand a far better chance of qualifying for credit extensions
- You will receive more favorable interest rates and terms on those credit extensions
- You will have a better chance of qualifying for jobs, housing, college & especially, jobs with high security clearance whether they are government or civilian. It has been proven that people who are relatively devoid of money problems are more stable and trustworthy and not as subject to possible temptation.
- If you're in the military, the reserves or considering entering the service, they continually review their personnel's credit, and if found to be lacking, you run the risk of running afoul of the Uniform Code of Military Justice which can result in a reprimand, demotion or even discharge. The reasoning behind this is military personnel can come in contact with sensitive information, and those who are in financial difficulty are more prone to possible bribery from foreign entities.

Last of all, you will get to enjoy the peace of mind that having good credit brings and feel more secure in knowing that you have a reserve in the bank saved for a rainy day or an emergency. You'll also be surprised at how all the nagging and arguments over money issues with your spouse or significant other have ceased.