



Volume 3, Issue 2

May 2004

Highlights

- **The Importance of Managing Your Money.**
Part 2 of our good, sound, practical money management educational series for developing good financial habits.
- **Cosigning on a Loan**
What would you do if a friend or relative asked you to cosign a loan?
- **Identity Theft**
Identity theft is a major concern for a majority of Americans. Here are some steps to take if it should happen to you.

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The importance of managing your money

Part 2 of a three-part series.

In Part 1 of our Practical Money Management Series we introduced some ideas to assist in developing good financial habits which will enable you to more effectively take control of your finances once and for all. In Part 2 we will provide you with some excellent ways to help get out of your financial rut and to avoid problems from resurfacing in the future.



How to get out of your financial rut and avoid future problems

- Make sure you allow for reserves in your budget...unexpected expenses always crop up – single biggest mistake is people living up to every cent they make)
- Review your budget periodically to account for any inflation or new expenses (keep receipts of all major expenses to help in the monitoring)
- As mentioned, don't spend more than 15% of your income on discretionary items
- Look for ways to cut spending (establish

priorities: new car vs. used car, down to even the little things which can mount up--- morning coffee and donut, etc)

- If real serious money problems, consider an extra job or spouse working if not already
- Start saving at least 10% every week or month (save for a rainy day and unexpected expenses)
- Contribute max. to employer sponsored retirement plans (401K, pension etc)
- Use store coupons and take advantage of sales whenever possible
- Always shop using a list and shop alone...avoid impulse buying
- Comparison shop all major purchases
- See if you can do it yourself rather than hiring someone
- Don't carry credit cards with you except when you have planned to make a specific needed purchase
- COLLEGE STUDENTS-get many low interest offers to them you in and many feel they can handle the payment by maybe taking on a job...but many don't plan for the future....what happens when after you graduate and those student loan payments kick in and now your monthly outlay becomes unmanageable? **THINK AHEAD AND PLAN FOR THE FUTURE**
- Treat \$\$\$\$ like the valuable commodity it is....you'll learn to appreciate the peace of mind having a reserve brings and the harmony it brings to a relationship

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Cosigning a Loan

What would you do if a friend or relative asked you to cosign a loan? Before you answer, make sure you understand what cosigning involves. Under federal law, creditors are required to give you a notice that explains your obligations. The cosigner's notice states:

You are being asked to guarantee this debt. Think carefully before you do. If the borrower does not pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.

You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.

The creditor can collect this debt from you without first trying to collect from the borrower.* The creditor can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record.

This notice is not the contract that makes you liable for the debt.

**Depending on your state, this may not apply. If state law forbids a creditor from collecting from a cosigner without first trying to collect from the primary debtor, this sentence may be crossed out or omitted altogether.*

Cosigners Often Pay

Studies of certain types of lenders show that for cosigned loans that go into default, as many as three out of four cosigners are asked to repay the loan. When you're asked to cosign, you're being asked to take a risk that a professional lender won't take. If the borrower met the criteria, the lender wouldn't require a cosigner.

In most states, if you cosign and your friend or relative misses a payment, the lender can immediately collect from you without first pursuing the borrower. In addition, the amount you owe may be increased — by late charges or by attorneys' fees — if the lender decides to sue to collect. If the lender wins the case, your wages and property may be taken.

If You Do Cosign

Despite the risks, there may be times when you want to cosign. Your child may need a first loan, or a close friend may need help. Before you cosign, consider this information:

- Be sure you can afford to pay the loan. If you're asked to pay and can't, you could be sued or your credit rating could be damaged.



- Even if you're not asked to repay the debt, your liability for the loan may keep you from getting other credit because creditors will consider the cosigned loan as one of your obligations.
- Before you pledge property to secure the loan, such as your car or furniture, make sure you understand the consequences. If the borrower defaults, you could lose these items.
- Ask the lender to calculate the amount of money you might owe. The lender isn't required to do this, but may if asked. You also may be able to negotiate the specific terms of your obligation. For example, you may want to limit your liability to the principal on the loan, and not include late charges, court costs, or attorneys' fees. In this case, ask the lender to include a statement in the contract similar to: "The cosigner will be responsible only for the principal balance on this loan at the time of default."
- Ask the lender to agree, in writing, to notify you if the borrower misses a payment. That will give you time to deal with the problem or make back payments without having to repay the entire amount immediately.
- Make sure you get copies of all important papers, such as the loan contract, the Truth-in-Lending Disclosure Statement, and warranties — if you're cosigning for a purchase. You may need these documents if there's a dispute between the borrower and the seller. The lender is not required to give you these papers; you may have to get copies from the borrower.
- Check your state law for additional cosigner rights.

For More Information

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a [complaint](#) or to get [free information on consumer issues](#), visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into [Consumer Sentinel](#), a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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Protecting Your Identity

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. Identity theft, including, but not limited to, Social Security (SS) number, 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 SS#. 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 whom 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 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>

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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 is it 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!

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 Participates in AIDS Walk



Employees of The Credit Counseling Foundation were among the 2,500 participants that showed their support by running, walking or roller blading at the 16th annual AIDS WALK MIAMI - RUN, WALK, BLADE FOR THE CURE on April 18, 2004. The funds raised from this events is used by Care Resource to provide HIV/AIDS service to over 10,000 men, women and youth that the agency serves annually.

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The importance of managing your money

Assess your overall lifestyle to see if it's commensurate to your income, and make adjustments if necessary...live within your means, not by someone else's.

Once you have gotten your budget under control, what steps can you take to avoid incurring more or unnecessary debt in the future:

- Only spend what you can buy w/cash or if you do charge, can pay off in full each month .
- Nothing impacts the mind like taking cash from your wallet or purse. Many people who use credit cards rarely know exactly how much they've spent until the statement comes, and then it's too late. Others write checks and don't take the time to calculate their balance and have no idea what's left. Paying cash makes you think ahead. For example, if you take only \$100 to the grocery store you will be much more conscious of exactly what you are buying and how much it costs.
- And on a similar note, avoid all impulse spending...if it's discretionary, regardless of the cost, sit on it for 30 days to make sure it's really needed
- When trying to obtain necessary credit (mortgage, car loan or Student loan) always shop around for the best deal and read and FULLY UNDERSTAND ALL CLAUSES AND FINE PRINT- this is where they hide penalty terms and numerous additional costs.
- Take advantage of sales whenever possible, and as mentioned earlier, use coupons and rebate offers. Shop stores that give double coupons and regularly review the

newspapers and magazines for grocery coupons. Look for shelf items with coupons attached.

- If paying less than the entire monthly credit card balance, always pay more than the minimum: for example, if you use a credit card just once for \$500 and have an interest rate of 15%, pay only the minimum (usually 2%), do you know how long it will take to pay off and how much it will cost you? Answer: it will take 6-1/2 yrs to pay off and the cost will be \$800...that's \$300 interest on a \$500 purchase...60% of the original cost!
- Review credit card statements monthly for any interest increases and any policy change notifications....if the interest has increased call creditor to reduce or get new credit card (throw out old).
- If you find you are paying late fees or penalties most months, call your creditor to change your due date to a time of the month which better suits your cash flow.
- Review insurance coverage for duplication and consider higher deductibles which will require lower premiums
- Never take cash advances to pay off other credit card bills (extremely high interest, robbing Peter to pay Paul) Try to live below your means to allow for financial or work downturns . *(Continues in the next issue)*

In Part 3 we will focus on what steps to take to avoid incurring more or unnecessary debt in the future and how to improve your credit if you have some blemishes on your credit report.