



Conquering Credit Challenges

Consumer Credit 
Counseling Service

you owe it to yourself



Pride

You owe it to yourself

Consumer Credit Counseling Service

History

Consumer Credit Counseling Service is a nonprofit agency, founded by the business community to:

- Educate consumers about money management
- Promote the wise use of credit as a tool for financial planning
- Assist individuals and families in overcoming financial difficulties

CCCS is a member of the National Foundation for Consumer Credit (NFCC), an umbrella organization for independent CCCS offices through out the United States, Mexico, Canada and Puerto Rico. CCCS is accredited by the Council on Accreditation of Services for Families and Children, Inc. and is a partner with United Way.

CCCS Services

Budget Counseling

Professional counselors offer individual, confidential advice for developing budgets, managing money, using credit wisely and building a savings plan. This service, in English or Spanish, gives individuals and families the knowledge they need to avoid financial pitfalls in the years to come.

Debt Management Plans

For those individuals and families who are overextended, CCCS offers assistance through its Debt Management Plan (DMP). CCCS works with clients and creditors to design a debt repayment program that may reduce monthly payments, interest and related fees. DMPs serve the dual purpose of helping you repay debts and your creditors receive the money owed them.

Housing Counseling

CCCS is certified by the United States Department of Housing and Urban Development as a comprehensive housing counseling agency. Counseling is provided in the areas of pre-purchase, mortgage default, rent delinquency, post occupancy and loan declination.

Education

CCCS offers community-wide education programs in money management, education and consumerism. Seminars are conducted by trained CCCS representatives for employee groups, schools, churches and civic organizations.

Telephone and online counseling available
24 hours a day, 7 days a week
Call, Click or Come in - you owe it to yourself
800-251-2227 (CCCS)
www.cccsatl.org

Conquering Credit Challenges

Information is power

Each of us has the personal responsibility for managing our spending. This handbook was developed to give you basic information on how to obtain and correct information from credit bureaus, interpret your credit report, understand the costs of using credit, work with your creditors and become debt-free.

Credit reporting system

Managing credit is easier to accomplish when you understand the credit system. Credit reporting impacts our lives on many levels. Creditors have access to your credit history and can process or deny loan requests in minutes.

Every month creditors may report your account information, payments and non-payments to the three major credit bureaus. The bureaus store the information which is then made available in the form of credit reports to consumers and creditors.

You should check your credit reports at least every two years. Credit bureaus do not confirm whether the information reported to them is accurate – **you must assume responsibility to correct any errors.**

How to get your Credit Reports (also called files or profiles)

The fastest way to get copies of your credit reports is to call the numbers listed below and respond to the automated phone systems. If your address is correct in their computers, you do not need to send in any documentation to prove who you are. They will mail your credit report to the address in their computers. If your address is different from the address on their computers, you will have to mail identifying information such as a copy of your driver's license or a recent utility bill. At the time of this printing, Georgia residents are entitled to two free credit reports annually from each credit bureau. To get free reports, make three copies of the form on page three and mail one to each of the credit bureaus. The bureaus' phone & Internet systems may not be set up to provide free copies to Georgians. Nominal fees are charged in most states. **Even if you have to pay, it's important to check your reports from all three bureaus on a regular basis!**

Equifax Credit Information Services

PO Box 105496
Atlanta, GA 30348-5496
770-612-3200 (GA Residents)
800-997-2493
www.equifax.com

Experian

PO Box 9600
Allen, TX 75013
800-311-4769
www.experian.com

TransUnion Corporation

Consumer Disclosure Center
PO Box 1000
Chester, PA 19022
800-888-4213
www.transunion.com

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Credit Report Request

To get copies of your credit report, fill out this form. Then make three copies and mail to each of the credit reporting agencies listed on page two.

To: _____ Date: _____
(Name of credit reporting agency)

Please send me a copy of my credit report.
(print or type only)

Daytime message/phone: (_____) Home phone: (_____)

Full name: _____

Current address: _____ Apartment: _____
(as it appears on credit applications or accounts) (P.O. Box if different from street address)
 City: _____ State: _____ Zip: _____

Previous address during the past 5 years:

Previous address: _____ Apartment: _____
(as it appears on credit applications or accounts) (P.O. Box if different from street address)
 City: _____ State: _____ Zip: _____

Previous address: _____ Apartment: _____
(as it appears on credit applications or accounts) (P.O. Box if different from street address)
 City: _____ State: _____ Zip: _____

Previous address: _____ Apartment: _____
(as it appears on credit applications or accounts) (P.O. Box if different from street address)
 City: _____ State: _____ Zip: _____

Personal information:

Date of birth: _____ Marital status (S/M/D): _____

Birth name: _____
(if changed by marriage)

Social Security number: _____

- Enclosed is a photocopy of my Driver's License with my current address;
 or UTILITY BILL or STATE ID or MILITARY ID.

Signature: _____

Reading your report

Credit reporting agencies maintain financial records of your accounts as well as “inquiries” or requests for information on your account from potential lenders and employers. When you receive your credit report, use the following key to interpret the coded entries.

Type of account

- O = Open** Entire balance due end of each month
- R = Revolving** Payment amount variable
- I = Installment** Fixed number of payments

Timeliness of payment

- 0 = Approved not used; too new to rate
- 1 = Paid as agreed
- 2 = 30+ days past due
- 3 = 60+ days past due
- 4 = 90+ days past due
- 5 = Pays or paid 120+ days past due; or collection account
- 7 = Making regular payments under wage earner plan or similar arrangement
- 8 = Repossession
- 9 = Charged off to bad debt

Whose account

Indicates who is responsible for the account and the type of participation you have with the account.

- | | |
|----------------------------|--|
| J = Joint | M = Maker |
| I = Individual | C = Co-Maker/Co-Signer |
| U = Undesignated | B = On behalf of another person |
| A = Authorized user | S = Shared |
| T = Terminated | |

The following inquiries are not reported to businesses:

- PRM** Your name and address were given to a credit grantor so the company could offer you an application for credit.
- AR** or **AM** Indicates a periodic review of your credit history by one of your creditors.
- INQ** Indicates your credit file was accessed by a business.
- EQUIFAX, ACIS** or **UPDATE** These inquiries indicate a response to your contact for a copy of your credit file or a request for research.
- PRM, AM, AR, INQ, EQUIFAX, ACIS** and **UPDATE** inquiries do not show on credit files that businesses receive, only on copies provided to you.

Correcting errors on your credit report

If you discover incorrect information on your credit report, you are responsible for explaining the error in a written statement to the credit bureau. The bureau, in turn, will contact the creditor whose reporting is in question for validation of the information. That creditor will modify your credit report with the credit bureau. If unverified by the creditor, it must be removed.

Don't be misled by companies advertising “credit repair” or illegal “credit clinics.” There is no such thing as “repairing” your credit. **Only the creditor has the power to change reported information on your credit report.** The credit bureau must then delete the incorrect information.

Credit account information remains on your credit report seven years from the last date of activity. Only bankruptcy will stay on your report longer— up to ten years.

What are my legal rights?

According to the Fair Credit Reporting Act, credit bureaus must provide personal telephone assistance to answer consumers' questions about the reports. Also, credit bureaus must handle disputes within 30 days unless additional information is needed.

The WISE Use of Credit

Selecting a credit card

One or two low-interest rate credit cards should be all you need for emergencies and special purchases for which you have budgeted. Remember that you're arranging for a loan each time you use your card. You should be prepared to pay off balances within 90 days to save money on interest charges.

Multiple offers from credit card companies are widely available. How do you choose? Invest your time to comparison shop:

- **Annual Fee** Shop for a card without an annual fee.
- **Annual Percentage Rate (APR)** Find the lowest annual interest rate.
- **Grace Period** The grace period is the time you have to pay your bill before you are charged interest. Some credit cards do not have a grace period which means you owe interest from the moment you charge something. Check credit terms carefully.
- **Transaction Fees** You pay a transaction fee when you use credit cards to get cash, go over your credit limit or miss a payment. Some credit card companies charge a monthly fee whether you use the card or not.
- **Where to find the best-rated cards** Web sites: www.cardweb.com or www.bankrate.com.

The Cost of Using Credit

Interest rates

All other things being equal: the lower the interest rate, the cheaper the loan.

If you have a balance of \$1,000 on a card with an 18% interest rate and you send a \$20 payment, you may think that your new balance is \$980. This would only be true at 0% interest. At 18%, the interest charge for the month would be \$15 out of your \$20 payment, making your new balance \$995.

The minimum payment trap

If you can only afford to make just the minimum monthly payment on your credit cards each month, you might be headed for financial problems. Not only will it take longer to pay off your debt, but those finance charges on your unpaid balance drastically increase the total amount of your original loan. If you charge \$4,000 on a 17% interest rate card, make only the minimum payment and charge nothing else, **it could take up to 23 years to repay the debt.**

Interest charges

you pay annually at varying interest rates:

Balances

Interest	\$ 1,000	\$ 5,000
9%	\$ 90	\$ 450
15%	\$ 150	\$ 750
21%	\$ 210	\$ 1,050

The dangers of debt

Stress: Money causes more arguments than any other family problem and is the number one cause of divorce according to family therapists.

Inability to save: The number one reason people are not saving money is that their funds are exhausted just meeting their monthly bill obligations.

Damaged credit: Creditors report the fact that you have missed monthly payments to the three credit bureaus which will negatively affect your credit rating.

What Happens if I Can't Pay My Bills?

Your number one priority is to keep current with your mortgage or rent payments, as well as utilities such as gas and electricity.

Contact your creditors immediately

Write a letter to each of your creditors explaining the change in your financial situation such as the loss of a job, illness or disability.

Your address
Date letter written
Creditor name
Address
Re: (account number)

Sample letter to creditors

Dear (creditor name):

I am writing this letter to request a temporary change in the payment terms of my account. Since I have become (unemployed, disabled, etc.), I have had to make some financial adjustments.

I do have some income from (unemployment, spouse's employment, severance, etc.). However, when I carefully examined my financial situation and made a strict budget for my basic expenses, it also became necessary to ask each of my creditors to accept reduced payments for (number of months).

I would appreciate your cooperation in making this payment plan work. In place of my regular monthly payment of (\$) due on (due date), I am requesting that you accept payments of (\$) paid on (proposed due date). I assure you that I will add no further debt until my financial situation improves. I will begin making normal payments again as soon as possible. I regret that I have to ask for this consideration and hope that you will understand. When there is a change in my situation, I will notify you immediately and in any event, I will re-contact you in 60 days.

Your understanding during this difficult time is most appreciated.

Sincerely,

(signature)

(name printed below)

Contact Consumer Credit Counseling Service

If you cannot negotiate an arrangement with your creditors, contact CCCS for a free, confidential budget counseling appointment. A certified counselor will review your income and spending needs to design a budget plan. One option might be a CCCS Debt Management Plan to help you repay creditors at a reduced monthly rate. Counseling is available in person, by phone and on the internet.

Call, Click or Come in - you owe it to yourself
800-251-2227 or www.cccsatl.org

Create a Spending Plan

Use the following chart to determine where your money goes:

Your monthly net income \$ _____
 Spouse / other monthly net income \$ _____
 Total income (excluding debt payments) \$ _____

Monthly Living Expenses

1.	RENT / LOT RENT / MONTHLY MORTGAGE PAYMENT	\$
2.	PROPERTY TAXES & INSURANCE assoc. fees/dues (if not incl. in mort.), renter's insur.	\$
3.	HOME MAINTENANCE repairs, lawn/garden, pool, security monitor., pest/termite control	\$
4.	UTILITIES gas \$ electric \$ garbage \$ water/sewer \$ cable \$	\$
5.	PHONE monthly \$ long distance \$ cellular phone/pager \$	\$
6.	GROCERIES food, beverage, pet food	\$
7.	HOUSEHOLD ITEMS cleaning supplies, paper prod., diapers, toiletries, cosmetics, detergent	\$
8.	FOOD AWAY from home, lunches \$ dining out \$ school lunches \$	\$
9.	INSURANCE life \$ medical \$	\$
10.	CAR insurance \$ tag/ad valoram taxes \$	\$
11.	CAR payment \$ gas \$ oil & lube \$ other maint. \$ parking/tolls \$	\$
12.	PUBLIC TRANSPORTATION Marta \$ cab \$ other \$	\$
13.	MO. MEDICAL & PRESCRIPTION BILLS/co pay medical \$ dental \$ optical \$	\$
14.	ALIMONY and/or CHILD SUPPORT	\$
15.	CHILD CARE/ELDER CARE	\$
16.	EDUCATION tuition, books, supplies, special lessons, pictures, yearbooks	\$
17.	LAUNDRY & DRY CLEANING	\$
18.	CLOTHING / NEW or REPLACEMENT shoes, hose, jewelry/accessories, undergarments	\$
19.	BEAUTY & BARBERSHOP nails, haircuts, hair coloring, personal care	\$
20.	CLUB & UNION DUES, HEALTH OR SPORTS MEMBERSHIPS AAA, licenses	\$
21.	CONTRIBUTIONS charities, church donations	\$
22.	RECREATION movies, video rental, entertainment, music/concerts/CDs, tickets, sports, vacations/travel, family visits, hobbies, lottery	\$
23.	GIFTS / CARDS birthdays, Mom/Dads' day, wedding/anniv., holidays (Christmas, other)	\$
24.	MISC. mag./paper subscr. \$ Internet/on-line fees \$ bank chgs. \$ pet care \$ postage \$ P.O. box \$ safe deposit boxes \$ allowances \$ storage \$	\$
25.	SAVINGS	\$
26.	OTHER	\$
27.	OTHER	\$
Total Monthly Living Expenses		\$

Creating a Creditor Plan

Determining a margin

You will get out of debt faster by increasing your monthly payments to creditors. Subtract your expenses from your income to help create a spending margin in order to increase payments.

Income: _____
 minus Expenses: _____
 equals **What's left over:** _____
Additional income from decreasing your monthly expenses, working overtime or a second job: _____
Total available to repay creditors: _____

Creditor action plan

Creditor	Balance	Min. Payment	Action Payment
Mortgage			
Car #1			
Car #2			
Creditor			
Creditor			
Creditor			
Creditor			
Creditor			

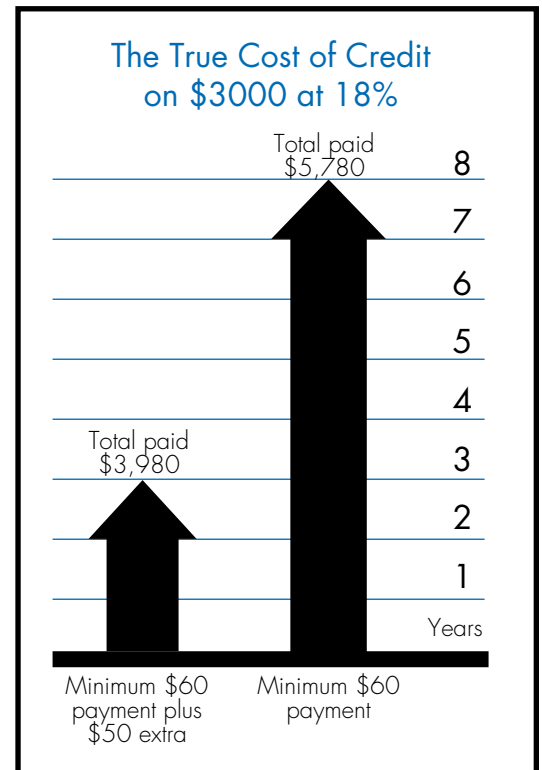
The impact of an extra \$50 every month

Suppose you had a credit card balance of \$3,000 at 18 percent interest. If you made the minimum payment (2%) of \$60 each month, it would take you 8 years to pay off the debt. You'd end up paying a total of \$5,780—almost twice the amount originally borrowed.

If you added just \$50 to your minimum payment of \$60 to total \$110, you would pay off the debt in only 3 years— and save yourself \$1,800 in interest charges.

Where can you find an extra \$50 each month?

- Brown bag 10 lunches per month
- Make pizza at home instead of ordering out
- Use coupons for groceries and buy store brands
- Have movies and popcorn at home instead of going out
- Buy in bulk and freeze dinner entrees
- Give handmade cards and gifts
- Shop at consignment stores / thrift stores/ discount outlets



Frequently Asked Questions

What about phone calls from collection agencies?

Collection agencies work for creditors to help collect monies owed to them. Collection agencies have the right to contact you, but laws prohibit harassment.

The **Fair Debt Collection Practices Act** prohibits third-party debt collectors from harassing, oppressing or abusing you. They may also not threaten to sue you, threaten to take your property without the right to do so or threaten to throw you in jail. The law further specifies that collection agencies may only contact you between the hours of 8:00 a.m. and 9:00 p.m. Collectors may not contact you at work if your employer disapproves and you advise them of this.

If you have a complaint concerning a collection agency which has violated the law, contact **FTC Headquarters**, 6th and Pennsylvania Avenue, NW, Washington, D.C. 20580, 800-CALL-FCC or www.ftc.gov.

What happens if I get divorced?

A divorce will not override contracts or obligations. If you are facing separation or divorce and want to keep your good credit, take these important steps:

- Get a copy of your credit report immediately to verify what accounts are carried in both names. You are responsible for joint debts.
- Close or separate joint accounts. Decide who will be responsible for each account and transfer each account to one person's name. As long as accounts remain joint, both parties are responsible for payment, regardless of the terms of your divorce decree.
- Establish credit independently—but don't increase your debt beyond what you can afford.

What about filing bankruptcy?

Bankruptcy should be considered the **final resort** for individuals facing severe financial problems, such as the seizure of property. The consequences for filing bankruptcy are severe and will

impact the filer's life in many unanticipated aspects for many years to come. Notice of a bankruptcy filing will remain on your credit report for 10 years affecting future major purchases such as an automobile, and possibly your future employment, as many employers now routinely check the credit reports of potential employees.

How do I find legal help?

If you need legal assistance and do not know an attorney, call your local county Bar Association.

Are consolidation loans a good idea?

Not necessarily. Many people turn to consolidation loans to pay off their credit cards. But, research shows that two years after taking out such a loan, many people are deeper into debt. That's because a few months after the cards are paid off, they resume spending and begin adding charges to their cards again.

Is a second mortgage a solution?

Second mortgages are appealing primarily because the interest on the loan is tax-deductible. The major draw back is if you miss payments on this type of loan: you will put your home in jeopardy of foreclosure. We do not recommend that you take this enormous risk.

How about car title loans or pawn shops?

Beware that car title loans usually charge extraordinarily high interest rates. Furthermore, if you are not able to keep up the payments, you will lose your car. Pawn shops are a quick way to sacrifice your personal belongings for quick cash. However, the interest rate charged is often quite high.

What about borrowing from my 401K?

NO! Don't do it. You might feel better temporarily but you'll still be in debt and it certainly is not worth jeopardizing your future retirement funds.

Don't count on friends, relatives or the lottery.

Paying off credit card debt is your best investment

How much interest are you paying to creditors each month? There are not many “guaranteed” investments that pay you 18 or 21 percent on your dollar. Pay off your credit card debt and save your money for yourself to spend or invest as you wish.

What you think you are, you become

“The greatest discovery of my generation is that a human being can alter his/her life by altering his/her attitude.”—William James

Reading the guidelines contained in this booklet should have helped you begin to think differently about money management, credit and debt. You have a plan now. What will motivate you into action?

Check the goals you would like to achieve:

- I want to be debt-free when I retire, including my mortgage.
- I want to have more money going into savings than I’m paying toward debt.
- I want to be in control of my finances and my future.
- I want to work toward financial goals, and be able to achieve them.
- I want to be able to support myself when I retire.

The choice is yours

Each and every day we all make choices that either move us closer to, or further from, our financial goals. What path will you choose?

Resources to help you stay on track

Become a responsible consumer: read the newspaper, watch the news and attend free workshops and seminars. CCCS also provides answers to questions about money management on our Web site at www.cccsatl.org.

Other Websites

www.clarkhoward.com
www.moneytalks.org
www.thinkglike.com
www.crown.org

Books

- *Surviving Debt, A Guide for Consumers* from the National Consumer Law Center
- *Your Money or Your Life* by Joe Dominguez and Vicki Robin
- *The Ultimate Credit Handbook: How to Double Your Credit, Cut Your Debt and Have a Lifetime of Great Credit* by Gerri Detweiler
- *Get Clark Smart: The Ultimate Guide for the Savy Consumer* by Clark Howard and Mark Meltzer
- *50 Simple Things You Can Do To Improve Your Personal Finances* by Ilyce Glink

Free brochures

- Federal Trade Commission, Public Reference, Room 130, Washington D.C., 20580-0001 www.ftc.gov
- Consumer Information Center, Pueblo, CO, 81009 www.pueblo.gsa.gov
- Experian Consumer Education Department, Attn: Credit Crossroads/Divorce and Credit Orders, P.O. Box 1239, Allen, TX, 75013
- Consumer Action, 116 New Montgomery Street, Suite 233, San Francisco, CA, 94105

Using Credit Wisely You Can Do It!



“We were behind on our mortgage, payments on two cars, credit cards and even owed the IRS. With the help of our CCCS counselor, we went on a budget and stuck with our repayment plan. Now we’re debt-free and able to save for our retirement.”

Gordon and Janet Wadsworth

“I was receiving frequent letters and calls from my creditors about late payments. Finally I called CCCS for a free appointment. That was several years ago—now my debts are paid and I’m enjoying a level of financial health that I never thought possible.”

Nat Martin



“I spread out my 20 credit card bills on the table. That’s when I really started to panic. My CCCS counselor explained it would take almost two years to pay back my creditors. Now I’m debt-free— and it’s a much better feeling than I ever got from any shopping spree.”

Micki Cash



Freedom

You owe it to yourself



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100 Edgewood Avenue • Suite 1800 • Atlanta, Georgia • 30303
404-527-7630 • 800-251-CCCS • info@cccsatl.org • www.cccsatl.org

2330 Congress Avenue S. • Suite 1A • West Palm Beach, FL • 33406
561-434-2544 • www.cccsinc.org