Consolidated Credit™

When debt is the problem, we are the solution.

CREDIT CARDS:

WHAT YOU NEED TO KNOW

Consolidated Credit
5701 West Sunrise Boulevard
Fort Lauderdale, FL 33313
1-800-210-3481
www.ConsolidatedCredit.org

Congratulations on taking this important step to a brighter financial future. Consolidated Credit has been helping Americans across the country solve their credit and debt problems for more than a decade.

*Our Educational Team has created over forty publications to help you improve your personal finances; and many are available in Spanish. By logging on to **www.ConsolidatedCredit.org** you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how to buy a home and pay for college. On our web site you will also find interactive credit courses, a "Best of the Web" debt calculator, a personalized budgeting tool, and much more.*

*We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburdened by high interest rate credit card debt then I invite you to speak with one of our certified counselors free of charge by calling **1-800-210-3481** for free professional advice. We also have partnership programs available where groups, businesses, and communities can hold financial workshops and received free money management guides and workbooks like the one you are reading now. Please call **1-800-210-3481** if you would like to discuss pursuing a personal financial literacy program. Text JOIN to 71610 and receive financial tips, free money advice, and much more!*

Sincerely,

Gary S. Herman
President
Consolidated Credit

Credit Cards: What You Need to Know

Studies have shown that people generally keep their first credit card for 15 years. That's why creditors target young people as potential customers; the relationship lasts so long because younger consumers frequently don't know how to find better deals.

Some people claim that credit card companies aggressively recruit students in an effort to get them "hooked" on credit by luring them with T-shirts and other freebies when they apply for cards. This booklet is designed to give you the facts you need to become a wise consumer—and the tools you need to use credit wisely.

Don't let yourself be lured by the offers. **A credit card is not an invitation to spend money you don't have.** Let's say you run up $500 on a credit card that charges 15% interest and requires a 2% minimum payment each month. Even if you never charge another item and pay the minimum on your account, it will take 6 1/2 years to repay your debt. When you have finally paid your debt, you will have paid nearly $300 in interest on your $500 purchase, making your total cost $800.

You'll pay even more if you make late payments or go over your credit limit. Always pay on time, even if you just pay the minimum due. Late fees have skyrocketed; it's not uncommon to find a $30 late charge applied to your account for a payment that's only one day late. Credit card issuers also may increase your interest rate if you're 60 days overdue.

Your credit report affects more than your ability to get a credit card or a loan; it can also affect your ability to get a job or get into college. Many employers and colleges review credit reports to judge an applicant's character. Late payments, over-the-limit charges, and heavy debt can affect you adversely. Hopefully, the tools you gain from this booklet will help you avoid future credit problems.

Pros & Cons of Using Credit

Advantages:

- Able to buy needed items now
- Reduce a need to carry cash
- Creates a record of purchases
- More convenient than writing checks
- Consolidates bills into one payment

Disadvantages:
- Interest (higher cost of items)
- May require additional fees
- Financial difficulties may arise if one loses track of how much has been spent each month
- Increased impulse buying

How do lenders choose whom to give credit to? How do they decide what a person's credit limits should be?

They use the Three Cs

Character - will you repay the debt?
- Have you used credit before?
- Do you pay your bills on time?
- Do you have a good credit report?
- Can you provide character references?
- From your credit history, does it look like you possess the honesty and reliability to pay credit debts?
- How long have you lived at your present address?

Capital - what if you don't repay the debt?
- What property do you own that can secure the loan?
- Do you have a savings account?
- Do you have investments to use as collateral?

Capacity - can you repay the debt?
- How long have you been at your present job?
- Do you have a steady job?
- What is your salary?
- How many other loan payments do you have?
- What are your current living expenses?
- What are your current debts?
- How many dependents do you have?

Your Credit Responsibilities

- Avoid buying on impulse.
- Borrow only what you can repay.
- Read and understand the credit contract.
- Pay debts promptly.
- Notify creditor if you cannot meet payments.
- Report lost or stolen credit cards promptly.

- Never give your card number over the phone unless you initiated the call or are certain of the caller's identity.

Building Your Credit History

- Establish a steady work record.
- Pay all bills promptly.
- Open a checking account and don't bounce checks.
- Open a savings account and make regular deposits.
- Apply for a local store credit card and make regular monthly payments.
- Apply for a small loan using your savings account as collateral.
- Get a cosigner on a loan and pay back the loan as agreed.

Types & Sources of Credit

Single-payment credit
This is when items and services paid for in one payment, within a stated time period. Interest is usually not charged.

Examples:
- Utility companies
- Medical services
- Some retail businesses

Installment credit
This is when merchandise and services are paid for in two or more regularly scheduled payments of a set amount. The interest is included. Money may also be loaned for a special purpose, with the consumer agreeing to repay the debt in two or more regularly scheduled payments.
Examples:
- Some retail businesses, such as car and appliance dealers
- Commercial banks
- Consumer finance companies
- Savings and loans
- Credit unions

Revolving credit
Many goods and services can be bought using revolving credit as long as the total amount does not go over the consumer credit limit. Repayment is made at regular time intervals for any amount at or above the minimum required amount. Interest is charged on the remaining balance.

Examples:

- Retail stores
- Gas stations
- Financial institutions that issue credit cards

How Much Credit Can You Afford

Never borrow more than 15% of your yearly net income.

Example:

If you earn $500 a month after taxes, then your yearly net income is:
12 x $500= $6,000
Calculate 15% of your annual net income to find your safe debt load. $6,000 x 15% = $900. So, you should never have more than $900 of debt outstanding.
Note: Housing debt (i.e., mortgage payments) should not be counted as part of the 15%.

Monthly payments shouldn't exceed 10% of your monthly net income.

Example:

If your take home pay is $500 a month: $500 x 10% = $50.
Your total monthly debt payments shouldn't total more than $50 per month.

Comparing Credit Cards

Cost of Credit:

- Know the penalties for missed payments.
- Annual Percentage Rate (APR); interest rates can vary greatly. One card issuer could offer you a 5.99% rate while another could offer you a 21% rate. The difference in what items will end up costing can be astounding.
- Annual fees; some cards have no annual fee while others can be up to $75.00.
- Transaction fees; if you do a balance transfer – what will it cost you?
- Grace period; how many days after the due date do you have to pay your debt before you are assessed a late fee? Most cards no longer have a grace periods.

Credit Card Features:

- What's your credit limit?
- How widely is the card accepted? Think about the advantages of a major credit card verses a store credit card.
- What services are available?

Before You Sign Up for a Card

- Shop around for the best terms. Bankrate.com is a great resource for finding the best available deals.
- Read and understand the contract.
- Don't rush into signing anything.
- Once a contract is signed, keep a copy of it.
- Know what the penalties are if you miss a payment.
- Figure out total price when paying with credit.
- Make the largest possible monthly payments.

Your Credit Rights

Wade Jessup was being hounded by debt collectors about several past due debts. They called him so often at home and at work that he didn't want to answer his phone for fear a debt collector would be on the other end of the line. One debt collector had warned Wade that he could end up in jail if he did not pay what he owed. That comment really scared Wade because he did not have the money to pay the debt collectors and they just wouldn't take "no" for an answer. Wade did not want to ask his parents for help because he was embarrassed that he had gotten himself into so much financial trouble. Wade thought his only option was to pay off the debts using some of the cash advance checks two of his credit card companies sent him every month even though he knew that the last thing he needed was more debt. However, he just wanted to get the debt collectors off his back!

It's too bad that Wade did not know about a federal law called the Fair Debt Collection Practices Act. If he did, Wade would have known that the debt collector that threatened him with jail time was breaking the law and that he was entitled to tell all of the debt collectors to stop calling him. However, like most consumers, Wade was unaware of the laws that have been passed to protect consumers when they apply for and use credit, find problems in their credit records or fall behind on their bills.

Yet, knowing about those laws and understanding how to use them is an important part of avoiding problems when you use credit, and maintaining a problem-free credit record.

Since 1968, credit protections have multiplied rapidly. The concepts of "fair" and "equal" credit have been written into laws that outlaw unfair discrimination in credit transactions; require that consumers be told the reason when credit is denied; let borrowers find out about their credit records; and set up a way to settle billing disputes.

Each law was meant to reduce the problems and confusion surrounding consumer credit, which, as it became more widely used in our economy, also grew more complex. Together, these laws set a standard for how individuals are to be treated in their financial dealings. Here is a summary of the laws:

Truth In Lending Act (1968)
Ensures consumers are fully informed about cost and conditions of borrowing. This landmark piece of legislation guarantees that creditors have to state the cost of borrowing in a common language so that you — the customer — can figure out exactly what the charges will be, compare costs, and shop around for the credit deal best for you.

Fair Credit Reporting Act (1970)
Protects the privacy and accuracy of information in a credit check.
Under the federal Fair Credit Reporting Act, credit reporting agencies are not allowed to report any information that is too old, incomplete, or wrong. While positive or neutral information can be reported indefinitely, negative information can only be reported for the following length of time:

Bankruptcy Filings: Ten years from date filed, not discharged. The three major credit bureaus, and many smaller ones, have agreed voluntarily to remove Chapter 13 bankruptcies — a bankruptcy where debts are paid back over several years — seven years from the date of filing.
If that doesn't happen automatically, you'll have to ask.

Civil suits, civil judgments, records of arrest: No longer than seven years from the date of entry, or the current governing statute of limitations*, whichever is longer.

Paid tax liens: Seven years from the date satisfied (paid).

Unpaid tax liens: Indefinite until the lien is paid (see above).

Collection or charge-off accounts: Seven years unless a US Government insured or guaranteed student loan, or National Direct Student Loan (NDSL). If those types of student loans are in default and you bring them current for an entire year, your previous late payments will be deleted.
Any other adverse information (including late payments): Seven years. Adverse information is any data that may cause an unfavorable action result for the consumer, for example being turned down for credit, employment or insurance; or being charged a higher rate than applied for in the case of credit or insurance.

Warning: Beware of collection agencies that tell you they have ways of reporting the collection account "forever" to the credit bureaus if you don't pay. That's simply not true.

Equal Opportunity Act (1974)
Prohibits discrimination in giving credit on the basis of sex, race, color, religion, national origin, marital status, age, or receipt of public assistance. This law applies to any business that grants credit to consumers, including banks, finance companies, retail and department stores, credit card companies, and credit unions.

Fair Credit Billing Act (1974)
Sets up a procedure for the quick correction of mistakes that appear on consumer credit accounts. When you purchase goods or services with a bankcard or a retail store charge card and you discover an error on your account billing statement, you have the right to have the problem resolved through the dispute resolution process established by the federal Fair Credit Billing Act (FCBA). The FCBA applies to such errors as:

- Your account is not properly credited for a payment you made or for a refund you are entitled to.
- Charges that you did not authorize appear on your statement. The law limits your responsibility for these charges to $50.
- You are charged the wrong amount for a purchase.
- There are mathematical errors on your account statement.
- You are billed for goods or services you did not accept or that were never delivered as agreed.
- Your account billing statement arrives late because it was sent to your former address even though you provided the creditor with written notice of your change of address at least 20 days before the end of the period you were billed for.
- Your account statement reflects charges for insurance or for another type of service or product sold by a credit card company but you did not authorize the charges.

Fair Debt Collection Practices Act (1977)

Prevents abuse by professional debt collectors, and applies to anyone employed to collect debts owed to others; does not apply to banks or other businesses collecting their own accounts. Here is a summary of what debt collectors covered by the FDCPA cannot do when they are trying to collect from you:

- Call you at an inconvenient time or place such as before 8AM or after 9PM unless you give them permission to do so.
- Call you at work if they know that your employer does not want you to be called there. Also, they cannot contact your employer about your debt.
- Contact you by postcard or use an envelope that makes it clear that a debt collector sent it.
- Try to scare you into paying a debt by sending you a letter that appears to have come from a government agency or a court of law.
- Call you repeatedly within a short period of time—every hour during an afternoon, or day after day for example.
- Contact your neighbors, relatives, friends or other people to get information that can help them collect the money that you owe.
- Use profanity when communicating with you.
- Threaten to ruin your reputation, harm you or your property, or throw you in jail unless you pay your debt. However, debt collectors can threaten to sue you assuming they are willing to follow through on their threat.
- Order you to accept their collect calls or pay for their telegrams.
- Collect more than the amount that you owe, unless it is allowed under your state's law.
- Deposit a post-dated check before its date.
- Take your property or threaten to take it unless they are legally entitled to.

Credit Card Accountability, Responsibility, and Disclosure Act (2009)

The Credit Card Accountability, Responsibility, and Disclousure Act or the Credit CARD Act may make it more difficult to acquire credit from banks and other lenders. They have lost some of the leverage they used in the past to raise interest rates or because of a "default" on another bill.

The banks and lenders won't be able to accumulate as much profit as they did before because the industry will have to be more transparent. So they will probably be spending some of their time and brain power on discovering different methods, or reintroducing older methods to make up for lost profits.

Certain measures have been taken to help protect the card holder and it's your responsibility now to become acquainted with them. So let's begin.

Now that the Credit CARD Act has passed, the credit card industry is going to change. As always, be frugal with charging on your card; the less debt you have the better off you will be. Credit card companies aren't as focused or interested in high credit scores, loyal customers, or timely monthly payments, as they used to be. They are concerned with risk levels and likelihood of defaults, especially if you are carrying a large balance from month to month. If you pay off your balance each month they still might be unhappy because they won't be making any money off of you in interest charges– so it's a Catch – 22 situation.

Shop around for a good interest rate; there will always be competition in the credit card industry, but the low interest rates may be gone for good. Even introductory rates, which were once the teaser to bring in new business, will not be as attractive.

Great balance transfer rates are also going to disappear. Remember when your mailbox was flooded with offers to transfer your balance to a new card with an ideal introductory rate and no fees? Now the rates will be higher and transfer fees won't be low and they may not have a cap on them. So do your homework; if you want to transfer your balance find a card that has a lower interest rate when the initial offer rate is finished.

Annual fees were once a thing of the past, now they are the future. The huge profits garnered from late payment and over the limit fees will not be as easy to accumulate for the credit card industry. So annual fees, and maybe some other "new" fees, will take their place.

Retail cards that offer incentives such as 15% off or a free product if you sign up and buy today with our card – such as Home Depot – may go the way of the dinosaurs. Banks simply aren't as trusting as they used to be and the new laws want the issuers to be more certain of a consumer's capacity to make payments. Many people would look at these deals as an excuse to make large purchases, without thinking about their ability in the future to pay off the debt. That irresponsibility led to delinquent payments and worse.

Reward cards may also suffer. There won't be as many big ticket items and the rewards themselves won't pack the punch that lured so many consumers to purchase more to gain their rewards.

What CARD Means to You

The Credit Card Accountability, Responsibility, and Disclousure Act will make it easier for you to deal with the credit card giants. For instance, credit card issuers will be required to show you, on periodic statements, how long it will take to pay off your existing balance and the interest you will accrue, if you pay the minimal amount.

Use this valuable disclosure to get a grip on your spending – be accountable. This is a free educational device showing you, in plain language, what it will take to reduce your credit card balance. If the sirens go off in your head when you look at this information, then you'd better halt your spending and get your finances in order.

Some of the changes because of Credit CARD include:

• Hidden fees -- It bans arbitrary interest-rate increases and hidden fees, such as charges for paying off a credit-card bill over the telephone or online.

• Full disclosure -- It requires clear disclosure, and in plain language, of the terms of credit-card agreements and any changes made to them.

• Universal default -- It prohibits the practice of "universal default," which allowed companies to raise interest rates on a credit card to high levels if the consumer was more than 30 days late on another payment.

• Late fees – A customers must be over 60 days late on payments before their interest rate can be raised on balances. If the rate is raised, it will go back to the lower rate if the customer makes the minimum payment on time for six months in a row.

• Delays in payment -- It prohibits companies from assessing late fees if the card issuer has delayed crediting the payment. Also credit card companies won't be able to assess a late fee if a payment is received on a due date that falls on a day when they are closed, such as a weekend or a holiday.

• Making payments at local banks -- It specifies that payments made at local branches must be credited the same day.

• Freeze on rate increases -- It prohibits companies from increasing rates on a cardholder in the first year and requires promotional rates to last at least six months. Rate increases must be periodically reviewed.

• Credit-limit fees or "opt-in" – This bans credit card companies from charging fees when users exceed their credit limits, unless the cardholder gives them permission to go over their limit on the transaction. That is, they "opt-in" to being charged a fee. If the cardholder has not agreed to allow the transaction to go over the limit then they would be rejected.

• Early-morning deadlines -- It prohibits issuers from setting early-morning deadline for credit-card payments because they usually receive their mail in the afternoon.

• Statements and notifications -- It notes that credit-card statements must be mailed 21 days before the bill is due. The old requirement was 14 days, which sometimes made it impossible to receive the bill, look it over and then mail it back on time. Also, consumers must now be given 45 days notice of any fee, rate, or penalty increases. Under the old rules credit card companies could raise rates for any reason and with only 15 days warning.

• Application of overpayments – Credit card companies would apply extra payments to balances with the lowest interest rates. The higher interest rate balance would not have any of the payment allocated toward it and would accrue interest on the unpaid amount and result in a larger balance. Now payments over the minimum must be applied first to the credit-card balance with the highest rate of interest, helping the consumer to wipe out that burden more quickly.

• Plain language in plain sight -- Banks and lenders will give consumers clear disclosures of account terms before consumers open an account, and clear statements of the activity on their accounts afterwards. This means that fees that you have been charged will be highlighted on statements and these statements will also clearly show fees you have paid in the current month and the year to date as well as the reasons for those fees. Use this as an educational tool to help you manage your finances and correct any mistakes you have been making in order to wipe out these fees.

• Gift cards – They will not be allowed to expire for five years and the credit card companies will not be permitted to charge dormancy fees on the balance left on the card.

• Fair disclosure – This mandates that credit card companies must reveal the time and total interest costs it would take to pay off credit card balances, if the customers could only pay the required minimum.

• Protection for students -- The act contains new protections for college students and adults under the age of 21. Universities will have to disclose their agreements and relationships with credit card issuers to the marketing or distribution of credit cards to students. Many lenders have established relationships with universities in order to get on campus.

• Public posting of credit card contracts – The run-of-the-mill hard copy contracts must now be in plain language and available on the Internet in a usable format. This will make it fundamentally easier for regulators and consumer advocates to scrutinize changes in credit card terms and assess if the disclosures and protections are sufficient.

The future just arrived

Now that the changes have been made it's time to prepare for your financial future in regards to credit cards. As always, you should carefully look through your bills and account information to see if any changes have been made, such as credit limits or rate hikes. Being an informed consumer is your best defense and it should be much easier now.

If you are in significant trouble right now, you may want to consider speaking with a credit counseling agency. Banks want their money and they won't be as brutal on those consumers who are at least making an effort to pay the money that they owe back. A credit counseling agency can assist you in setting up reasonable monthly payments to help revitalize your financial health.

The last and most important element of this whole matter drills down to one thing – accountability. As a credit card user it is up to you to take matters into your own hands. Yes, there are moments when you must use your credit card for an emergency situation or situations and that could devastate your finances. That is completely understood. But many times credit card debt is due to spending beyond your means. As a consumer you can make the Credit CARD Act work for you by controlling your spending and keeping your monthly balance to a minimum.

You can turn the tables now by paying more attention to your monthly bills and by taking advantage of the periodic disclosures showing you, in plain language, how long it will take to pay off your balance by making the minimum payment – of course, increase that payment if you can. Remember, the Credit CARD Act was established to protect you from the tactics of credit card lenders and to provide you with tools to better manage your credit card spending. So as a credit card holder you've been given an opportunity and with that opportunity comes the added responsibility to make it work for you.

Think of the Credit CARD Act as a extraordinary event, which furnishes you with the prospect of enhancing your financial position in the world, no matter how small or large it is, and to finally stay one step ahead of an industry that has long prided itself on creating debt rather than savings -- then you'll be the one laughing as your savings go up and your debt goes down.

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About Consolidated Credit

Consolidated Credit is a consumer oriented, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States.

Our mission is to assist individuals and families end financial crises and help them solve money management problems through education, motivation, and professional counseling.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. We sponsor local free seminars that are also available to any group or organization that requests our educational services.

Our professionally trained counselors have assisted thousands of families across the United States. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

Consolidated Credit is a member of the Better Business Bureau, the Greater Fort Lauderdale Chamber of Commerce, and the Association of Credit Counseling Professionals.

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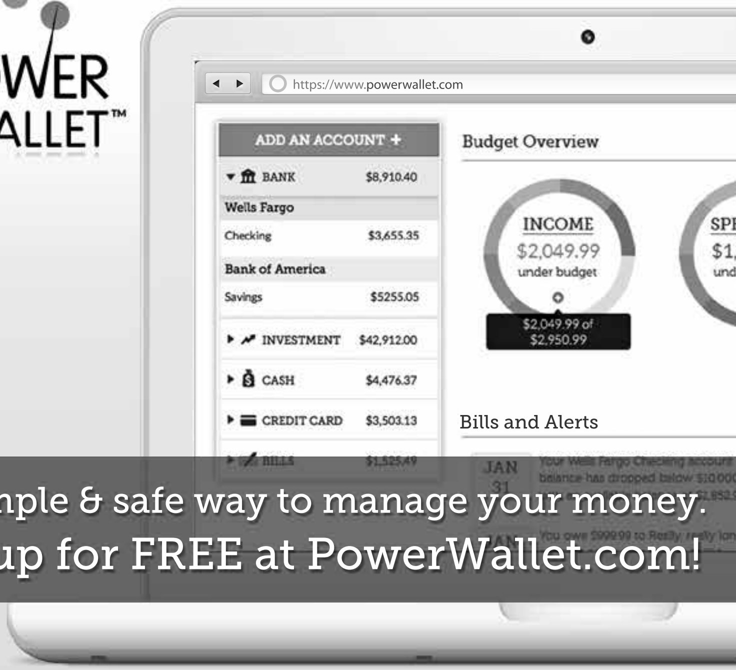

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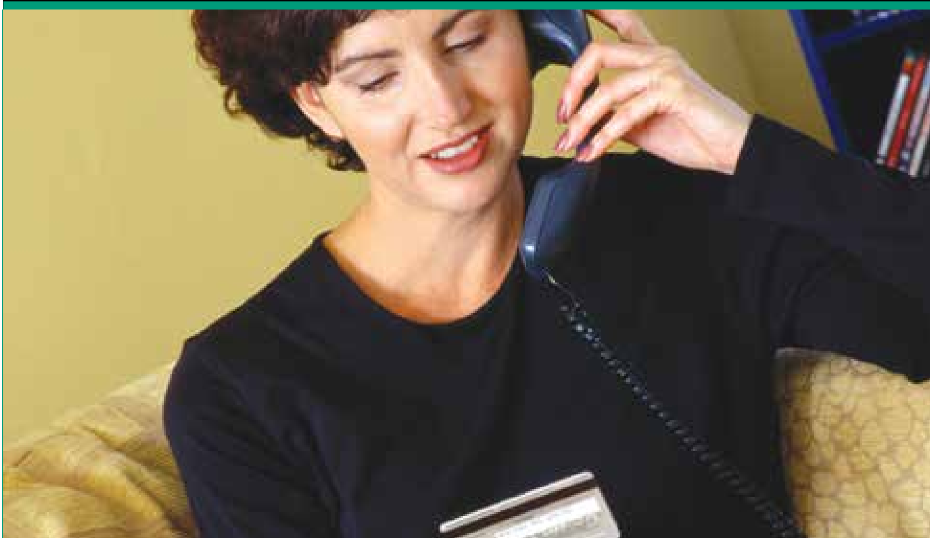

There is help waiting for you now.

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
- Save thousands of dollars.

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