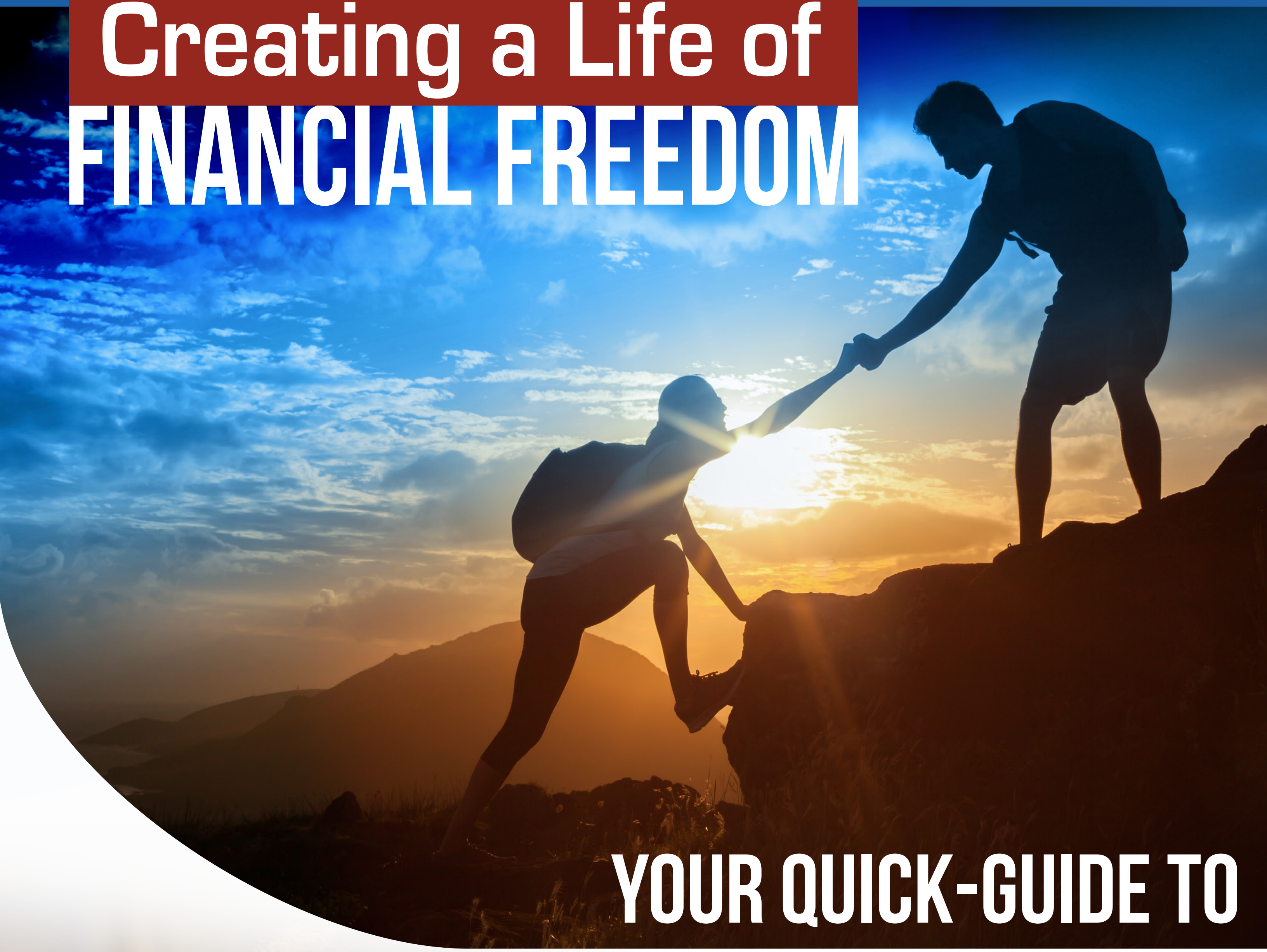
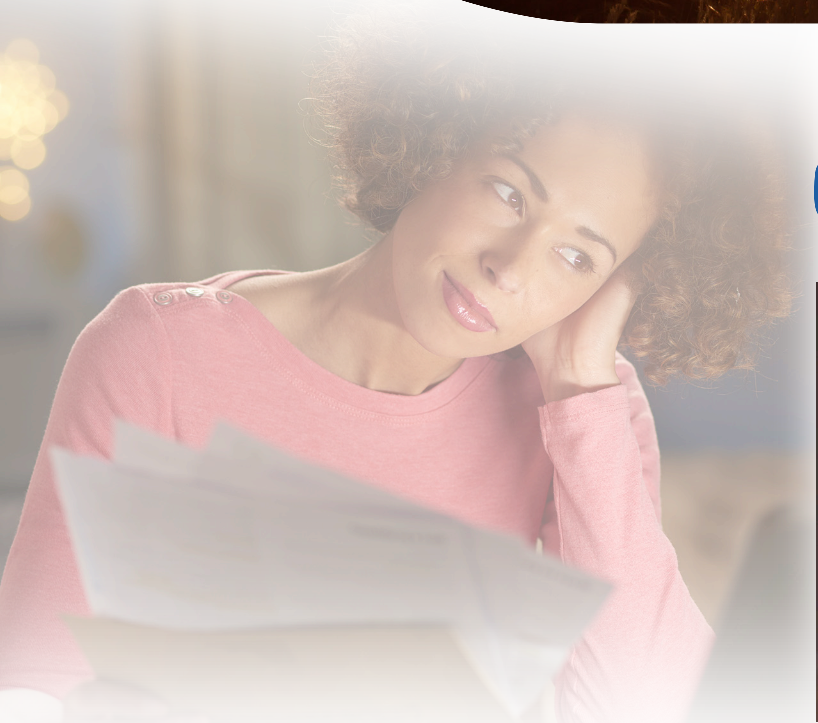
Creating a Life of FINANCIAL FREEDOM



YOUR QUICK-GUIDE TO Improving CREDIT & Getting OUT of DEBT



DebtReliefCenter.org

Creating a Life of Financial Freedom
Your Quick-Guide to Improving Credit & Getting Out of Debt

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Introduction

Congratulations on taking a positive step towards managing your credit and debt. This do-it-yourself guide contains a series of keys and checklists to help you get the most out of your credit, and the most out of your life. Money and credit play a major role in our lives, but they shouldn't rule our lives. Money shouldn't determine our happiness or peace of mind. However, without money, or a plan for controlling credit and debt, our finances can be a major source of stress in our lives. By controlling our credit and debt, and saving for the future, we have the greatest opportunity to achieve financial freedom and live fulfilling lives of true significance and meaning. This is the prosperity promise.

As you read this guide and reflect on your attitudes about money – how you make it, how you spend it, and how you go about saving for the future, we encourage you to join the growing number of consumers who are on a mission to conquer debt and become financially independent.

Regarding your personal credit history and credit report and score, with so much money at stake, it makes sense to take control of it yourself. Why rely on a home loan officer, the finance person at a dealership, or even one of your creditors? There's not much they can do except pull your credit report, take a quick look at your score, and make a decision on whether or not they'll extend you credit, and how much interest they'll charge. The key is to make sure you're prepared in advance for these major purchases or life events.

Remember, you are in the driver's seat when it comes to your credit. Use the information and tips in this guide to gain the credit edge. Know the key things you can do right now, today, tomorrow, and in the future to build a lifetime of good credit. Doing this literally can help you save tens, or even hundreds of thousands of dollars over your lifetime! The good news is, your credit reports and credit scores are constantly changing. You may be surprised to find out just how quickly you can improve your credit and finances just by knowing how credit reports and credit scores work.

This guide also contains: helpful tips on dealing with the threat of identity theft; information on credit cards and credit card company practices; debt, debt management, credit counseling and the new bankruptcy law; and tips on how you can transform debt into wealth. We wish you the best on your path to financial freedom!

Welcome to the DebtReliefCenter.org community.

The DRC Editors

Know the Credit Basics

Knowing how to make your credit work for you, instead of becoming credit captive, can help you save a lot of money, and make life a lot less stressful. While credit reports, credit scores, cardholder agreements, annual percentage rates, loan terms, etc. can be complicated, the definition of credit itself is straightforward: *Credit can be defined as a contractual agreement in which a borrower receives something of value now (money, goods, or services) and agrees to repay the lending party at some time in the future.*

Credit, for better or worse, is a reality of modern life. How credit is used is a matter of choice: Credit can be used wisely to help achieve the dreams of owning a home, a car, or financing a college education. Or, it can be used casually to ring up impulse purchases and credit card debts whose true human cost cannot be calculated in dollars and cents.

Through this guide, we encourage you to become a personal credit expert. Understand your credit, how to use it wisely, and make sure you check your credit reports often for accuracy. This will not only help you get the credit you deserve, it can also be your "first line of defense" against identity theft.

One of the most important things to know is that it is up to you to take charge of your credit. You, not the credit bureaus or your creditors, are in control of your personal credit. Indeed, the only person who knows if the information contained in your credit reports is accurate is you. Commit yourself to understanding and monitoring your credit – so you get the most out of your credit and the most out of your life.

So how much does credit cost you? The answer to that question will go a long way to determining your financial future. At stake is more money than most people imagine - literally tens of thousands of dollars or more over the lifetime of a borrower. Let's look at an example: On a 30-year home loan of $225,000, a good credit rating could help you qualify for an interest rate of, let's say, 6.465% and a monthly payment of $1,417 with total interest paid of $285,000. A lower credit rating could result in an interest rate of 8.452% and a monthly payment of $1,722 with total interest paid of $395.067. **In this example, good credit could help you save more than $110,000 over the life of the loan.** Lower interest rates on car loans can also add up to incredible savings, as can lower rates on credit cards, and many other forms of credit. A good credit history and credit score can help you save a lot of money.

Credit Key 1: Be Credit Smart! How are you using credit?
Make credit work for you.

1. Use credit wisely and strategically to help build lasting assets!
2. Don't use credit for quick, impulse purchases that bury you in debt
3. If are burdened by debt, try to pay down or pay off high-interest credit cards
4. Improve your credit score to maximize savings in interest.(home/refi/auto).

Credit 101 Q and A

What Is a Credit Report?

A credit report is basically an overview of your credit history. It contains any credit card accounts or loans you may have, the balances, and information concerning your payment record. It also includes credit "inquiries" to record when your credit report was viewed by another party as part of an application for credit, for employment, for insurance, etc.

It also includes public records such as bankruptcies, liens, or information regarding any other action that may have been taken against you because of unpaid bills. It is important to review your credit reports from all three credit bureaus on a regular basis to make sure your reports are accurate. This will not only help you qualify for credit and receive the rates you deserve, but reviewing your credit reports can also help you detect potential identity theft.

Where Do Credit Reports Come From?

A company that gathers, stores, and markets credit data is known as a consumer reporting agency (CRA). These companies collect information about your credit activities, store it in large databases, and customarily charge a fee for supplying the information. The most common type of CRA is the credit bureau. There are three major credit bureaus: Experian, Equifax, and TransUnion.

Consumers are entitled to receive a free copy of their credit report from each of the three major credit bureaus once per every 12 month period. Free reports do not come with free scores. Free reports may be accessed by request to the credit bureaus at the contact information below or via annualcreditreport.com.

What Is a Credit Rating?

Your credit rating or "credit score" is derived from your credit report, which outlines your borrowing, charging, and repayment activities. A good rating, or score, may help you qualify for lower interest rate financing or more favorable overall loan terms; a poor rating may restrict your financial opportunities.

Since your credit report can impact credit and loan applications, interest rates, or even whether you are able to buy a home or be hired for a job, it is extremely important to protect your credit rating by making loan and bill payments on time and by not taking on more debt than you can manage.

Who Is Allowed to See Your Credit Report?

Credit bureaus can provide your personal credit information to you and:

1. Creditors who are considering granting or who have granted you credit;

2. Employers considering you for employment, promotion, or new assignment.

3. Insurers considering you for an insurance policy or reviewing an existing policy;

4. Governmental agencies reviewing your financial status or government benefits; and

5. Others with a legitimate business need for the information, such as a potential landlord.

Credit bureaus also furnish reports if required by court orders or federal jury subpoenas. They will also provide your credit report to a third party if you request it in writing.

What Type of Information Appears in a Credit Report?

There are usually four types of information:

1. **Personal Profile:** Your full name, any known aliases, current and previous addresses, social security number, date of birth, current and past employers, and, if applicable, similar information about your spouse.
2. **Credit Summary:** The open and closed accounts you have with banks, retailers, credit-card issuers, utility companies, and other lenders (accounts are listed by type of loan, such as real estate, revolving credit, installment loans, etc.; Your Credit Summary provides an overview of your current and past credit status, your payment history, and the total balance on your accounts, and delinquencies.
3. **Public Records:** State, Federal, and county court records on bankruptcy, tax liens, or monetary judgments (some consumer reporting agencies list non- monetary judgments, such as child support records). Public records remain on your credit report for 7-10 years.
4. **Credit Inquiries:** The names of those who have obtained copies of your credit report. Inquiries will remain on your report for up to two years.

Where Do the Consumer Reporting Agencies Get Their Information?

Credit bureaus collect information from businesses that have previously done business with you, such as a department store that issued you a credit card or a bank that granted you a personal loan.

Who is Responsible for Making Sure Your Credit Report is Accurate?

While the credit bureaus store information regarding your credit history as reported to them by creditors, it is your responsibility for verifying that this information is accurate, and it is up to you to **contact the appropriate credit bureau** if there is information on any one of your reports that you believe to be inaccurate.

When you **file a dispute regarding an item on one of your credit reports**, the individual credit bureau will investigate the item on your behalf, and if it is determined the information is incorrect, the item will be removed and/or corrected.

Who Decides to Grant You a Loan?

Lenders decide whether or not to extend you credit. The credit bureaus are neutral entities that store information that has been reported to them. It is up to you to **make sure the information in your credit reports is accurate**, and contact the credit bureaus if you believe your report contains inaccuracies.

Why Should You Obtain a Copy of Your Credit Report?

To make sure your credit report is accurate and to get the credit you deserve, it's important to review a copy of your credit report(s) before you apply for credit for car loans, mortgages, department store cards, credit cards, and more. Inadvertent errors on credit reports do occur. It is important that you take control of your personal credit: Check your credit reports, your credit score, monitor your credit on a continuing basis, and notify the credit bureaus if you discover information that you believe to be inaccurate. This is in everyone's best interest – you, your creditors, potential lenders, and the credit reporting agencies.

How Do Errors in Reports Happen?

Think about how often your mail has a misspelling of your name or a mistake in your street address. Then, imagine the possibility for error in a report that contains much more data about you and your credit history. Cases of mistaken identity, out-of-date information, information reported by creditors that is incomplete or incorrect, and other errors can and do occur. Accept this and know that you have the power to make it right.

How Do You Correct an Error on Your Credit Report?

If you believe information on one or more of your credit reports are incorrect, contact the appropriate consumer credit reporting agency. The company is then responsible for researching and changing or removing incorrect data. This process will normally take approximately 30 days. At your request, a corrected credit report will be sent to creditors that you specify who have received your report within the past six months, or employers who have received it within the last two years.

What if the Consumer Reporting Agency Finds that the Information in Question is Correct?

You have the right to communicate your position regarding the matter in a brief statement (100 words or less), which the credit bureau will then attach to your credit file. Your statement should only be used to clarify inaccuracies, not explain reasons for delinquency.

What Should You Do if You Are Denied Credit because of Something in Your Credit Report?

The lender who denied you credit will give you the name and address of the credit bureau that produced the credit report. Then, you have up to 30 days to request a free copy of your report.

The credit bureau must inform you of the details on the information contained in your report. It must also tell you the sources of the information and who has received your report in the previous six months (This time frame increases to two years for reports that were provided for employment purposes).

To find out about organizations in your area that help consumers understand credit, solve credit problems and create a budget, you may contact the National Foundation for Consumer Credit at (800) 388-2227. Spanish speakers may contact (800) 682-9832.

How Long Does Information Stay on Your Credit Report?

Generally, your credit history information, positive or negative, remains on your report for seven years. In the case of a bankruptcy, the information can remain for 10 years.

How Do You Get a Copy of Your Credit Report?

You are entitled to receive one free credit report every 12 months from each of the nationwide consumer credit reporting companies—Equifax, Experian and TransUnion. This free credit file can be requested through www.annualcreditreport.com or by contacting the companies directly by phone or by mail as listed below. This report does not come with a free credit score.

Credit Key 2: Understand the Role of Credit Bureaus.

Know How the System Works and Make it Work for You.

Many people have the attitude of victim in the shadow of the credit bureaus and the massive databases they maintain. The fact is, credit reporting agencies play a vital role: Credit histories and credit scores make it possible for consumers to be evaluated on a highly individualized basis and readily receive approval decisions and terms based on each consumer's creditworthiness in the eyes of lenders. Credit scoring models also allow certain companies to specialize in offering competitive rates to individuals with less-than-perfect credit.

- Understand that credit bureaus are only storehouses of information.
- They only report what has been transmitted to them by creditors.
- It your responsibility to make sure the information is correct.

The only one who can possibly know if the information in your credit report is accurate is you. If you believe it is not, it is you who must take steps to contact the credit bureaus to correct your files. Now you can readily do this yourself, and the credit bureaus must investigate the item or items in question. **Don't be a credit victim. Take control of your own credit**

Understanding Credit Reports

Your credit report is a "report card on your personal finances." It is the "credit snapshot" you present to lenders, and a very valuable asset. Your credit report is key to your financial future, because it can cost you or save you a lot of money. Based largely on the information in your credit report, and the resulting credit score you achieve, lenders determine whether they'll extend you credit, and how much interest you'll be charged for virtually everything you finance – from a home to a car, to credit cards, and much more. The information in your credit report can also affect your insurance rates and whether you're hired for a job.

When it comes to your credit report, how much money is at stake? Over your lifetime, the amount of money your credit can cost you, or save you is staggering. It can run into the tens of thousands or literally hundreds of thousands of dollars when you factor in the total amount of additional interest you might have to pay for a home loan or refinance, auto loan, and many other areas where you rely on financing

The bottom line: your credit report is serious business, well worth protecting and monitoring on an ongoing basis so you get the credit you deserve. Information on your credit history will be contained in three separate credit reports from each of the credit bureaus: Equifax, TransUnion, and Experian. It's important to check and monitor all three of your credit reports because the information in each report may vary. Why? Because, different creditors may report your credit account and payment information to separate bureaus, and companies checking your credit may only use one of the three credit bureaus

Your Credit Report and Identity Theft Protection

It's not only important to monitor your credit reports on a regular basis to help ensure that you get the credit you deserve, but credit monitoring can also provide you with a "first line of defense against identity theft."

For example, you review your credit report and discover that your personal information has been changed without your authorization or you find a credit card inquiry or account listed in your name that is not really yours. Both of these situations can be an indication that your identity has been stolen, and you may need to take immediate steps to file a report, contact your creditors, and place a fraud alert on your credit reports.

Your credit report provides your credit history as it has been reported by lenders to one or more of the three credit bureaus, Experian, TransUnion, and Equifax. Let's see what information is typically contained in a credit report.

Personal Profile (Name, Address, Social Security Number, Birthday, Employment Info)

Credit Summary – An overview of your current and past credit status, including the total number of open and closed accounts in your name, the balances, and delinquencies.

Public Records – State, Federal, and County records on bankruptcies, foreclosures, suits, wage attachments, liens, judgments, overdue debt from creditors/collection agencies, etc.

Credit Inquiries - A record of who has obtained a copy of your credit report. Inquiries remain on your report for up to two years.

When checking your credit reports, it is important to review all areas of your credit report thoroughly. The only one who can possibly know if the information in your credit report is accurate is you. If you discover information on your credit reports that you believe is inaccurate, all three credit bureaus now give you the ability to file an online dispute form.

Credit Key 3: Become an Expert on Your Own Credit Report.

Know your credit report like the back of your hand. Don't rely on anyone else to do the job for you, including creditors, credit bureaus, or lenders.

1. Learn the types of info contained in your credit report.
2. Check each of four sections in your credit report for accuracy
3. Dispute any items you believe to be incorrect.
4. Check your reports often and ***GET EMAIL ALERTS IF YOUR CREDIT REPORTS CHANGE.***
5. Monitor your credit to save money and help detect potential Identity Theft.

Understanding Credit Scores

Your credit score is one of your most valuable financial assets! Whether you're applying for a car loan, home loan, refinance, credit cards, or virtually every other form of credit, lenders will normally check your credit score, and often your credit history, to determine how much risk they would be assuming. If you were in the business of extending credit, wouldn't you want to know the likelihood of whether or not you'd be paid back, and on time?

Based on the information contained in your credit report, you are assigned a credit score. Credit scores typically range between 300 and 850, with the average score in the United States being 678. Most lenders offer more favorable interest rates to applicants who scores are above average to well-above average. It's important to understand that credit scores are far from static numbers. They are constantly fluctuating as new information appears on your credit report, or old information is removed.

The good news is, you can now monitor your credit reports and credit scores on a regular basis, and take a positive, proactive stance in managing and improving your credit standing! It all starts with understanding the different parts of your credit report and how each of them are typically "weighted" to determine your credit score:

"Payment History" accounts for roughly 35% of your overall score. This category would include account payment information on credit cards, retail or department store cards, installment loans, mortgages, finance companies and more. Lenders want to know how many of these accounts are being paid as agreed, or are past due. How long has it been since there are delinquent (or overdue) items? Lenders want to see a consistent record of paying as promised. Paying your bills on time is the number one way you can help improve your credit score.

"Amounts Owed" accounts for roughly 30% of your overall score. This includes the amount of money you owe, or do not owe, on specific accounts, the number of accounts you have with balances, your debt-to-credit ratio (or what proportion of your total credit limit is currently being used), and your installment loan ratio (proportion of balance to the original loan amount. As a general rule, higher credit ratings are achieved by individuals who have substantial credit available to them, and maintain relatively low balances.

“Length of Credit History” accounts for about 15% of your score. This includes the length of time since your accounts have been opened, by specific account category, and the time span since credit activity is recorded.

“Amount of New Credit” accounts for roughly 10% of your score. For instance, how many recently opened accounts do you have, how many accounts by category, how many of these accounts are delinquent, how long has it been since record of delinquency, and, if you have had credit glitches, have you re- established a positive credit pattern since problems occurred?

“Type of Credit Used” accounts for approximately 10% of your score. This category looks at what kind of credit accounts you have (credit cards, department store charge cards, installment loans, mortgages, finance company accounts, etc.), as well as the specific number of accounts in each category and any recent information available on those accounts. Generally, creditors like to see a healthy balance of credit used, and not an over-reliance on credit cards.

Its important to understand that credit scoring involves all of these categories, not just two or three, and all factors aren’t weighted equally for each consumer. Credit scores are a reflection of all of these categories and are determined by both positive and negative information. Finally, it bears noting that lenders typically will not rely solely on a credit score, but several other factors including income, employment status and longevity, years at your present address, and the nature of the credit for which you are applying.

Credit Key 4: Manage Your Own Credit Score.

1. Credit scores are constantly changing.
2. Credit scores can be improved a lot faster than you might imagine.
3. Knowing how the info in your credit report is “weighted” to determine your credit score can help you learn how to build a strong credit score!

Establishing and Maintain Good Credit

It’s important to start off on the right foot when establishing, and using credit. Once you’ve established credit, it’s important that you maintain good credit habits. By presenting a positive picture to bankers and lenders, you will be able to take advantage of the lowest interest rates available, and avoid the high- interest debt trap. If you do make some early mistakes, don’t get discouraged. Just know that it’s up to you to take the necessary steps to “right the ship” and get your credit back in shape.

Why Establish Credit?

Even if you normally pay for purchases using cash or checks, you still should know the necessary steps to establishing credit, and maintaining good credit, because credit is often a basic life essential: You may need credit for such routine matters as establishing phone service or having other utilities connected to your home. Good credit can also be essential in securing favorable financing terms when buying a car, household furnishings, or even a new home.

Employers may check the credit rating of job applicants. Many employers feel that a solid credit rating is an indication that you handle your personal matters responsibly, and this reflects positively on your ability to successfully manage your job. A good credit rating also may make it easier for you to rent an apartment, as it can be a sign to landlords that you are a person who's more likely to pay your rent on time each month.

Increasingly, companies are using credit ratings to help manage risk. For instance, in the future, it is anticipated that more and more insurance and health care companies will be relying on credit reports, credit scores, and other proprietary risk models in deciding how to manage their coverage and rates. The bottom line: Maintaining a good credit history, and credit score may prove very beneficial to you in securing more favorable rates and policies.

The bottom line: Credit plays an important role in virtually everyone's life and finances. A favorable credit report, credit score, and good credit habits, could help you save tens of thousands of dollars or more over the course of your life. That's why it is so important to stay on top of your credit by checking your credit report and credit score, and monitoring your credit on a regular basis!

Here's Seven Basic Ways You Can Establish Credit:

1. **Open up an individual savings or checking account in your name.** Over a period of time, maintaining an account in good standing by managing your deposits, withdrawals, and debit card usage will demonstrate that you know how to manage money responsibly.
2. **Take out a personal loan**. Keep in mind that this will involve cost, because loans require interest payments. However, even a small personal loan can help a person establish credit. It may be necessary for you to secure the loan with funds that you have on deposit at the bank, or by personal items you own, such as a car. Once a loan is approved, make sure all payments are made promptly.
3. **Ask a friend or family member who has good credit to cosign a loan** on your behalf, which means that he or she shares liability for the loan with you.

4. **Apply for a credit card.** However, make sure you clearly understand the terms of the card. For example, how long is the initial grace period or the time you have to pay the current balance in full before finance charges are added? Is there an annual fee or other fees that go along with the credit? If you carry a balance, how will finance charges be calculated?
5. **If you have difficulty being approved for a major credit card, you may want to apply for a "secured credit card".** With a secured credit card, you will deposit an initial amount of money with the financial institution to "secure" your card. The amount of money you pay to secure the card will normally determine your "credit limit" for the card. If you make your "secured credit card" payments consistently on time, your initial deposit normally will be returned to you, and your credit limit may even be increased. When applying for a "secured credit card", make sure that the bank will be reporting your account and payment records to the credit bureaus. This is important, as your intention is to demonstrate your good credit habits to the credit bureaus to build up a positive credit history and achieve a positive credit score to benefit you in the future.
6. **Apply for a department store or gas card**. These cards are typically easier to obtain than major credit cards. Make sure you clearly understand the terms for these cards, and also make sure that you make your payments on time.
7. **Credit Patience is a Virtue**. No matter which method or methods you use for establishing credit, understand that achieving good credit and maintaining good credit is a lifetime pursuit that can pay big dividends over your entire life. Don't "over-apply" for credit anywhere and everywhere. Keep balances low and under control and make your payments on time.

Regardless of how you establish credit, use credit wisely, and sparingly. Don't become a "credit captive", forced to spend many years of your life paying high interest rates to financial institutions. It's your money, so put it to work to secure your financial future!

Here's Some Good Credit Habits to Maintain:

1. **Pay your bills consistently on time**. This is one of the most important things you can do to present a positive picture to lenders.

2. **Limit the amount of money you borrow to what you can afford to repay**. Sounds like an obvious and simple principle? Sure, but it's where countless consumers get into trouble. Take on too many loans, too many credit cards, or high interest rates – and before you know it, you're in trouble. You're behind on your payments, penalties and late fees are adding up, and a major portion of your income goes to servicing your debt, instead of securing your financial future.

3. **Limit the total number of credit cards that you maintain**.

4. **Don't "over-apply" for credit.** Applying for too much credit, or too many credit cards at the same time is not a good sign to lenders.

5. **Have a balanced credit approach.** Use credit responsibly by maintaining a modest level of credit accounts in various categories: Retail accounts, installment loans, mortgage loans, finance company accounts, etc.
6. **Do some due diligence to get the best credit terms.** Companies want your business. Even if your credit is less than perfect, very competitive rates still may be readily available to you. You have the opportunity to save a lot of money if you shop around for the best deal. Secure the best deal possible, and maintain a strong record of on-time payments!

7. **Stay on top of your credit!** Check your credit report, your credit score, and monitor your credit information on all three credit bureaus on a regular basis. The only one who knows if the information in your credit report is accurate is you! So, it's up to you to make sure the information in your credit reports is accurate. It's a very small price to pay that could potentially save you a lot of money. Staying on top of your credit not only helps you get the credit you deserve, but it can also provide you with a "first line of defense" against identity theft.

Credit Key 5: Maintain Good Credit Habits

1. Be Credit Smart
2. Save Money by Using Your Credit to Get the Best Rates
3. Stay on Top of Your Credit to Help Detect Potential Identity Theft

Separating Credit Facts from Credit Myths

Separating credit facts from myths can help you better understand and manage your credit. Your credit report, and credit score are the financial pictures you present of yourself to lenders – they rely heavily on this "credit snapshot" when making their decision. To help you separate credit facts from myths, take a moment to test yourself.

Answer True or False to the following. The answers are provided below.

1. **Checking your own credit report will lower your credit score**.

2. **Closing old accounts can help your credit score.**

3. **Paying off the balances on your credit cards each month positively affects your credit score.**

4. **Paying off installment credit accounts early will improve your credit score.**

5. **Your age, income, and gender have no effect on your credit score.**

6. **If you dispute negative information on your credit report, even if it's true, it will be removed from your credit report.**

7. **Credit card offers do not affect your credit score.**

Answers to Credit Facts or Myths:

1. False. Checking your own credit report creates what is known as a "soft" inquiry on your credit report and this does not affect your credit score.

2. False. Closing old accounts could actually lower your score because it typically shortens your credit history on record. It also can lower your debt to available credit ratio that is a significant factor in determining your credit score.

3. True. The closer you get your account balances to zero each month, the better. Lenders view it as a positive when you have plenty of unused credit available to you.

4. False. Typically, the longer one of your installment accounts remains in good standing, paid as promised, the higher your scores will be. This is not to say that you shouldn't consider paying off an installment account early, it is just a statement of fact that managing accounts well over the long term is what affects scores most positively.

5. True. Your age, income, and gender do not affect your credit score.

6. False. Beware of unethical credit repair companies who promise to remove any unfavorable, although accurate, information from your credit report(s) in order to improve your score "instantly". You should check your credit reports often to make sure everything is accurate. If there is information that you believe to be inaccurate, you have the right to file a dispute form with the appropriate credit bureau, and the bureau will have 30 days to respond. This can even be done online for all three credit bureaus.

7. True. Unsolicited credit card offers, like those you may receive by direct mail, do not affect your credit score. Keep in mind if you elect to accept one of these "pre-approved" offers, a "hard" inquiry will typically result, and this will normally lower your credit score slightly.

How to Make Sure Your Credit Reports Are Accurate

It is very important to check your credit reports on a regular basis to make sure everything is accurate! Based largely on the information in your credit report and the resulting credit score you achieve, lenders determine whether they'll extend you credit, and how much interest you'll pay for virtually everything you finance. Your credit score can also affect your insurance rates, or whether you're hired for a job.

Over your lifetime, the amount of money your credit can cost you, or save you, is quite substantial. So, it pays to check and monitor your credit report regularly, and know the steps to take if you believe that your credit reports contain information that may be inaccurate. Monitoring your credit can also provide you with a "'first line of defense" in helping to detect identity theft.

Should you discover information on your credit reports that you believe to be inaccurate, you may contact the appropriate credit bureaus directly at the addresses listed below, or you may file an online dispute form online using the links below:

Step-By-Step Credit Report Review and Dispute Process

Upon verification of your identity, you can get your credit report online, or you may get your 3-in-1 Credit Report, which contains a side-by-side comparison for all three of your credit reports: Experian, Equifax, TransUnion. You may also receive a free credit report once yearly from each of the three credit bureaus at www.annualcreditreport.com It is highly recommended that consumers take advantage of these free annual reports, but it should be noted that free annual reports do not include a credit score or ongoing email alerts to notify you of key changes on all three of your credit reports.

Check all categories of your credit reports carefully, including your personal profile and contact information, your credit account summary, public records, account history, and recent inquiries. Make sure all the information is correct. For instance, check carefully for other names that appear on your credit report that may be similar to yours; or for accounts that are unfamiliar or unauthorized; for new account inquiries that appear on your report; or for collections information or public records that are incorrect. These items, and many others, could not only lower your credit score, but they can also indicate that your identity has been stolen.

If, after reviewing your report, you believe it contains items that may not be accurate; you may file a dispute with the appropriate credit bureau. You may contact bureaus at the addresses below, or you may file a dispute online. Disputing information online is FREE and complete step-by-step instructions are available online at each bureau's website to walk you through the online dispute filing process. Whether you dispute online or by mail (certified mail is recommended), you will need the credit report number from the credit bureau in question, as well as the specific item number you are disputing. **If you are disputing my mail, it is recommended that you write a simple, clear letter (see "Sample Credit Bureau Contact Letters") including the credit report number, the item in question, and a brief note regarding the disputed item.**

Once you have filed a dispute:

The credit bureau(s) will then contact the source of the information, and ask the creditor to check their records for verification.

Within 30 days, the creditor who filed the information is responsible for responding (21 days for Maine residents) to the investigation. They will either verify the information, or they may request that the credit bureau remove it from your credit report.

The credit bureau will then notify you by email as to the results of the dispute or inform you when the results of your dispute are available to be viewed online.

The investigations may not take 30 days. You may receive earlier notification that the dispute has been investigated and resolved, or if you filed online, you may go online at any time to check the status of your dispute.

The contact information for each of the three major credit bureaus can be found on page 25 of this guide.

How to Improve Your Credit Score

Your credit score is one of the most valuable financial assets you own. It can determine whether you are approved for financing, and the interest rate you receive. Over the lifetime of a consumer, your credit score can cost you, or save you, a substantial amount of money. For example, the savings can run into the tens of thousands of dollars or much more when it comes to the interest rate you receive on a home loan.

While there are numerous credit repair agencies that promise to repair your credit for a fee (sometimes a substantial fee), we believe it is important for every consumer to know how to take control of his or her own personal credit. Understanding the information in your credit report, and how it affects your credit score can help you use credit wisely, maintain good credit habits, and avoid a lifetime of excessive debt.

Your credit score is constantly changing. It is not uncommon for a credit score to drop 50 points or much more due to a single late payment. Conversely, a credit score can be increased relatively quickly as good payment habits are reestablished, or debts are paid to improve your debt-to-available-credit ratio.

Here are seven steps you can take to help improve your credit score.

1. **Pay your bills on time.** Even if you pay the minimum amount due, it is important to pay your accounts on time! Your payment status plays the major role in determining your credit score. Your payment history actually accounts for 35% of your credit score. Your most recent payment history carries the most weight. For example, one late payment last month will likely hurt your score much more than a 90 days late payment that occurred several years ago.

2. **Avoid using too much of your available credit!** Scoring models consider lower balances to be a positive factor. When you are “maxed out”, using virtually all of your available credit, your credit scores will be lower.

3. **Pay down your debts!** Again, the more debt you pay off, the more available credit you will have and this will reflect positively on your credit score. Lenders like to see accounts where you are at 30%-35% of your available credit, demonstrating a positive debt-to-available-credit ratio. Pay down your debts and your credit scores go up.

4. **Keep your new applications for credit to a minimum.** Too many new applications for credit over a short period of time will lower your credit score. This could be especially damaging, if this occurs at the same time you are looking to finance a new car, or taking on a new mortgage.

5. **Be careful about closing your old accounts!** Even if you have an old account that you’ve forgotten about, you should think twice before closing it. Why? Old accounts can help your credit score, because they can demonstrate how long you have used credit and scoring models factor this in to your credit score. By closing an old account, you may be negatively impacting your “length of credit history”. Even if it seems like a good idea to close older, more established, accounts to consolidate your balances, you could very well be lowering your score by reducing the credit history you present to lenders. Closing old accounts can also reduce the overall amount of available credit you present to lenders.

6. **Make sure your credit reports are accurate on all three credit bureaus.** Since there are three separate credit bureaus that maintain your credit files, and companies where you apply for credit often rely on separate credit bureaus, you should check your credit reports from all three credit bureaus. You can do this once per year for free for each credit bureau at www.annualcreditreport.com. However, your free annual reports do not include your credit score. For your

convenience, you can also order a 3-1 Credit Report that provides a side-by-side comparison of all three of your credit reports: Equifax, TransUnion, and Experian. This report comes with credit scores for each bureau.

7. **Monitor your credit reports on a regular basis.** Credit Reports and credit scores are changing on a regular basis as new information is filed. Not only is it important to make sure credit reports are accurate to make sure you get the credit you deserve, but monitoring your credit can also help you detect potential identity theft. Should you discover information on your credit report that you believe to be inaccurate, you have the right to dispute the information. You can do this by writing to the appropriate credit bureau at the addresses below (see "How to Make Sure Your Credit is Accurate"), or you may go to the appropriate website for each bureau and file an on-line dispute form. It is important to monitor your credit reports on a regular basis because errors in your report may lead to lower credit scores. The contact information for each of the three major credit bureaus can be found on page 6 of this guide.

Monitoring Your Credit: Why It's More Important than Ever

It is important for you to monitor your credit on a regular basis. Why? To make sure the information in your credit report is accurate! Since the information in your report determines your credit score, and your credit score often determines the interest rate you will be charged, it's important to monitor your credit so you get the credit you deserve! This could not only save you thousands in interest charges, it could also affect your insurance rates, or whether you're hired for a job. These days, your credit score has become the financial "snapshot" you present to lenders and more and more of them rely on it heavily to determine your credit worthiness.

It's also important to monitor changes on all three of your credit reports, because your credit history is contained in all three of your credit reports from each of the credit bureaus: Equifax, TransUnion, and Experian. It's important to check and monitor all three reports because the information in each report may vary. How is this possible? Different creditors may report your credit account status and payment information to separate credit reporting agencies, or credit bureaus.

You should also know that companies checking your credit might only use one of the three credit bureaus. Since you do not know which of the three bureaus they will be using, you want to make sure that all three of your credit reports are accurate.

Today, monitoring your credit has become more important than ever, as it can provide you with a valuable "first line of defense" against identity theft. If someone has stolen your identity, experts agree that one of the best ways to minimize the effects of identity theft is to discover the occurrence as soon as possible, so you can take steps to correct the situation. For example, a new account inquiry on your credit report may be a sign that someone else has applied for credit in your name. Or, an unfamiliar address on your credit report may be a sign that someone has changed the contact information on one of your accounts to hide fraudulent and unauthorized charges. Other information in your files such as unfamiliar collection accounts, or public records, could help you learn of identity theft as soon as possible, so you can mitigate the damages.

Today, consumers can monitor all three credit bureaus on a daily basis by enrolling in a 3-Bureau daily credit monitoring service. These monitoring services send out instant email alerts to notify consumers of key changes as soon as they occur on any one of the three credit reports: Experian, Equifax, and TransUnion.

The bottom line: Monitoring your credit can be a wise investment to help protect your credit, and your good name.

Identity Theft: Get the Facts on the Fastest Growing Crime

Identity Theft is the fastest growing crime in America with millions of Americans victimized each year, costing consumers billions in out-of-pocket losses and businesses, according to the Federal Trade Commission. The 2017 Identity Fraud Study, released by Javelin Strategy & Research, found that $16 billion was stolen from 15.4 million U.S. consumers in 2016, compared with $15.3 billion and 13.1 million victims a year earlier. In the past six years identity thieves have stolen over $107 billion. It is important to note that an exposed financial record does not mean that an individual's identity has been stolen; but that the security of one's personal information has been compromised.

It is important for you to know how you may protect yourself against identity theft. Despite increased vigilance, data breaches continue to occur, and consumers should be aware that they are a threat, and can lead to identity theft.

Why has identity theft become so commonplace? Identity theft is a crime that can happen to anyone, at any time! It's often a silent crime that occurs in the normal course of everyday life. It can happen when you write a check, charge airline tickets or a rental car, give out your social security number, or your driver's license number, answer an email, talk to a "representative" on the phone, enter your user name, password, or provide your PIN number. That's just a partial list, but the important thing to know is that identity thieves search for every possible way to steal the personal information of unsuspecting victims. Mitigating the effects of identity theft can be very costly and a major source of stress and inconvenience, costing many hours, or even days, of your valuable time.

Experts agree, one of the most important things you can do to protect yourself against identity theft is to monitor your credit report, and not just one credit report, but all three credit reports. Why? Because an incidence of identity theft may not be detected on all three credit bureaus! Today, daily credit monitoring is available through 3-Bureau Monitoring services. By monitoring key changes to all three credit bureaus, Experian, Equifax, and TransUnion, you can receive email alerts if changes occur on any one of your three credit reports.

Identity Theft: Know These 7 Common Warning Signs

Identity Theft is the fastest growing crime in America with millions of Americans victimized each year, costing consumers an estimated $5 billion in out-of-pocket losses and businesses $48 billion, according to the Federal Trade Commission. Nearly 10 million people fall victim to identity theft each year.

A recent Gallup Report reported that one in five Americans claim to have been victimized by identity theft. While this statistic is alarming, it's important to point out that identity theft can take on many forms, some more serious than others: A stolen drivers license, social security number, credit card, or wallet; a stolen user name or PIN; even a lost or stolen ATM card. All of these instances, and many others, may be interpreted as a form of identity theft. In addition to actual cases of identity theft, the personal information of more than 91 million Americans has been exposed or compromised over the past two years, due to data breaches.

Some feel that the danger of identity theft has been blown out of proportion. Regardless of consumer's level of concern regarding identity theft, one thing is quite clear: Today we live in a digital age where our personal information is more available than ever to those who would seek to use it for illegal purposes. Once a person becomes a victim of identity theft, mitigating the damages in time, money, and financial reputation can be a very trying ordeal. These facts alone are the primary reasons many experts recommend that consumers monitor credit reports on an ongoing basis. This can be done by requesting a free credit report once per year from each of the three credit bureaus at www.annualcreditreport.com or by enrolling in a credit monitoring service that tracks key changes on all three credit reports on a daily basis. Either way, be concerned about identity theft, and be aware of some of the most common warning signs:

1. **You receive bills from a credit card account that you did not open.**

2. **You discover a "credit inquiry" on one of your credit reports indicating that someone has applied for credit in your name.**

3. **You are contacted by a collection agency regarding a debt that is not yours.**

4. **You are turned down on a credit application for a credit card, mortgage, or other form of credit due to unauthorized debts that appear on your credit report.**

5. **You see unauthorized charges you don't recognize on your credit cards, bank accounts, or even long distance bills.**

6. **Your bank account has been suddenly depleted.**

7. **Your bank statement or credit account statements do not arrive on time**. This may be a sign that your personal information, including your address, has been changed without your authorization to hide fraudulent account charges.

Consumers are advised that, while these are some of the most common warning signs indicating potential identity theft, this is only a partial list.

Identity Theft: How You Can Help Prevent It

Identity Theft has been called "the fastest growing crime in America" affecting millions of Americans each year. Nearly 10 million people fall victim to identity theft yearly, costing consumers an estimated $5 billion in out-of-pocket losses and businesses $48 billion, according to the Federal Trade Commission.

What steps can you take to protect yourself against identity theft? While there is no foolproof way to protect yourself against identity theft, there are important steps you can take, and habits you can practice, to reduce your chances of becoming an identity theft victim:

1. **Protect your social security number and driver's license number.** Avoid carrying your social security card in your wallet or purse. If your health plan or other card uses your social security number as an identifying number, request that this be changed. Don't put your social security number or driver's license number on your checks.

2. **Be careful about what you say on the phone.** A popular tactic of identity thieves is to listen in on your conversations. If you order a product or service over the phone, or give anyone personal information, make sure you are in a secure and private location to avoid the chances that you will be overheard.

3. **Don't give out your personal information unless you initiate the contact.** Thieves constantly devise ways to capture personal information from victims. Pretending to be a bank, department store, government agency, or other "official entity" they may call you, email you, or send you unsolicited mail hoping you fall for the scheme. Never respond to a request to verify your social security number, account information, or password. The bottom line: Don't give out your personal information unless YOU initiated the contact.

4. **Don't throw away your identity!**. One of the easiest ways for identity thieves to steal your identity is to go through your garbage. Shred up or tear up thoroughly your papers and personal information before you throw them away. Pre-approved credit card offers, convenience checks, and any other personal information should also be destroyed.

5. **Protect your computer against viruses and spies.** Don't allow the personal information on your computer to be readily accessible to thieves. Use strong passwords with at least 8-10 characters, including a combination of numbers, letters, or symbols. Use firewall, virus and spyware protection that is updated regularly. Download free software only from those sites that you know and trust. Steer clear of links in pop up windows or in email.

6. **Be a smart and careful online shopper.** The Internet offers a convenient way for visitors to shop and buy online. However, you should be familiar with, and trust, the website you are visiting before entering your credit card number or other personal information. Sites should feature full encryption for your protection.

7. **Check all of your bills and bank statements carefully.** Open your bank statements and credit card bills as soon as they arrive. Check very carefully for any unauthorized charges or withdrawals and report them immediately. If you notice that a bill doesn't arrive on time, follow up with the company quickly, because a late bill may mean someone has broken into your account and changed the contact information to hide charges that are fraudulent.

8. **Stop pre-approved credit card offers.** Pre-approved credit card offers are very tempting to identity thieves who may search through your mail. You can stop the majority of these pre-approved offers by requesting that your name be removed from marketing lists. The number to call is 888-5OPTOUT, or 888-567- 8688.

9. **Do business with responsible companies who protect your information.** When a company you are already doing business with requests additional personal information, ask why it is needed, how it will be used, and whether it will be shared. Another question is how it will be protected. Responsible companies will be happy to provide you with this information. If you aren't comfortable with the response, you should consider working with an alternative company.

10. **Monitor your credit reports on a regular basis.** One of the most important things you can do to give yourself a "first line of defense" against identity theft is to check your credit reports from all three credit bureaus on a regular basis. You can do this for free once per year through www.annualcreditreport.com, or you may order your 3-in-1 credit report that features a side-by-side comparison of all three of your credit reports. When you review your credit reports, look carefully for any items that you don't recognize, or for any discrepancy that appears. Check your reports carefully as they may provide you with early indication that you have already been victimized by identity theft.

Identity Theft Victims: Immediate Steps to Take

For additional information on identity theft protection, and follow-up steps, there are several excellent resource sites you may utilize for more comprehensive information: The Federal Trade Commission has a comprehensive website, "Take Charge: Fighting Back Against Identity Theft" at http://www.ftc.gov. The Privacy Rights Clearinghouse provides information at: http://www.privacyrights.org/fs/fs17a.htm

1. **Contact one of three credit bureaus to place a fraud alert on your credit reports and review your credit reports.** It is not necessary to call all three, as the bureau you contact is required to contact the other two. Placing the fraud alert means that your file will be flagged and that creditors are required to call you before extending credit. Under new provisions of the Fair Credit Reporting Act (FCRA, §605A) you may place an initial fraud alert for a 90 day period only. The credit bureaus are then required to mail you a notice of your rights as an identity theft victim. Once you receive this information, you may contact each of the three bureaus immediately to request two things: 1) A free copy of your credit report and 2) An extension of your fraud alert to seven years.

Equifax
P.O. Box 105873
Atlanta, GA 30348
http://www.equifax.com
(800) 685-1111

Trans Union
Consumer Disclosure Center
P.O. Box 1000
Chester, PA 19022
http://www.transunion.com
(800) 916-8800 or (800) 888-4213

Experian
P.O. Box 2104
Allen, TX 75013-2104
https://www.experian.com
(888) 397-3742

2. **Contact the appropriate creditor or financial institution, and suspend or close the accounts that you know, or believe, have been compromised or opened without your authorization.**

3. **File a report with your local police.**

4. **File a complaint with the Federal Trade Commission.**

You can file a complaint online at www.consumer.gov/idtheft. If you don't have Internet access, call the FTC's Identity Theft Hotline, toll-free: 1-877-IDTHEFT (438-4338); TTY: 1-866-653- 4261; or write: Identity Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580. Be sure to call the Hotline to update your complaint if you have any additional information or problems.

5. **Keep complete records, maintain copies of all documentation and reports, and monitor your credit on an ongoing basis.** As part of the initial fraud alert with your credit bureaus, you are entitled to a free credit report from each bureau. This is in addition to the free copy of your credit report from each of the three credit bureaus you are entitled under federal law once per year at www.annualcreditreport.com or by contacting each bureau directly. California, for confirmed identity theft victims, allows you to receive a free credit report once per month for twelve months. In seven states, whether you are an identity theft victim or not, you are entitled to a free credit report (in addition to the credit report you are entitled to under federal law) from each of the three bureaus under state law. These states are Colorado, Maine, Maryland, Massachusetts, New Jersey, and Vermont. Georgia residents have the right to two (2) additional free credit reports over and above the one free credit report yearly under federal law. You may also monitor key changes to all three of your credit reports on a daily basis by enrolling in a credit monitoring service that tracks changes to your Experian, Equifax, and TransUnion reports and sends you email alerts to notify you of any changes.

Consumers Beware: The Top Ten Worst Credit Card Company Practices

Credit cards can be useful to carry. They can offer convenience, help you demonstrate creditworthiness, track spending, earn rewards, and even provide you a measure of protection as a consumer. However, relying on credit cards too much and using credit casually can lead to your financial ruin. The worst part of all: The credit card companies design and maintain aggressive marketing and predatory pricing policies that make it absolutely critical for consumers to be on their toes! The following list will come as no surprise to those of you who have felt the sting of credit card industry practices, or listened to cardholders tell tales of exorbitant rate hikes, hidden fees, hard-to-read cardholder agreements, or "bait and switch" marketing offers.

However, while the credit card industry has long been criticized for its aggressive marketing and usurious interest rates, the situation today has escalated to the breaking point, and many Americans see no way out. What is most disturbing however, is the fact that many credit card companies continue to send the message that they don't care about customers. This statement understates the real tragedy: Not only do credit card companies often show little concern for customers, but they rely more and more on the financial missteps, misfortunes, and even innocent changes in a consumer's "risk profile" to trigger a growing number of "gotcha" fees and penalties that have become financially devastating to increasing numbers of cardholders. Of course, what's tragic for the customer can be very "good" and profitable for the credit card companies.

Cardholders, then, are urged to use credit cards sparingly, check credit card statements carefully, and pay them immediately to avoid late fees and penalties. In addition, it is important to monitor credit reports for any changes. Also, take the time to carefully understand the fine print that is contained in credit card agreements. Be careful not to become trapped by one or more of the following credit card company tricks, and know what you can do to fight back.

1. **Universal Default Interest Rate Ladder** - Your credit card company can double or even triple your interest rate due to a perceived change in your credit picture even if you have a perfect payment record with them. What's more, your jacked up rate can apply to your entire balance, not just new charges moving forward. If you see an agreement with this clause, don't accept the card - run! Take your business elsewhere if at all possible. Chances are, you may already have a card with this clause, so beware! Your credit card company will periodically scan your credit report for one of several Universal Default triggers: Even a single late payment on another credit card, your mortgage, or utility (phone, electric, etc); Exceeding your credit limit on just one of your cards; A credit score that declines; Taking on a new home mortgage or auto loan; Having too much overall debt; or Simply applying for additional credit. When do most consumers discover Universal Default? When they get their credit card statement and begin to hyperventilate. By then, it's too late, and the iron door has been slammed shut.

2. **Outrageously High Interest Rates** - There's gotta be a law against pillaging. No, there is no federal limitation on the interest rate a credit card company can charge. There may be a law in the state where you live, but probably not in the state where your credit card company is located and that's what counts. Eight of the top ten credit card companies are located in states with no cap on interest rates; the other two are located in Arizona (with a cap of 36%).

3. **"Please Be Late" Policy** - Late fees have become a cash cow for the credit card companies. So much of a cash cow that many companies now mail your statement as close to the due date as possible. If you receive it only ten days before it's due, you better be on the ball or you're headed for a juicy late fee. Beyond the day your payment arrives, many set a specific time of day when your payment must arrive. One minute late and you're hit with another late fee. The reward for card companies: Late fees which averaged about $13. In 1995, now average $34. as one bank after

another has played follow the leader and jacked up their late penalty booty to stay sharp and competitive.

4. **Two-Cycle (Double-Cycle) Billing** - How would you like to be charged interest on debt you have already paid off? It can happen if your card comes with double-cycle billing. This confusing two-cycle average daily balance method calculates your charges by taking the sum of the average daily balance for two billing cycles. The first balance is for the current billing cycle, the second for the previous one.

5. **Confounding Cardholder Agreements** - Credit card issuers go to great lengths to carefully design cardholder agreements that few people can encode. The result: The true cost of a credit card, and its risks, are hidden from the consumer - until the statement arrives. If credit card companies insist it is necessary to accommodate risk by charging exorbitant rates and fees, do they also insist that they should be carefully hidden, hard to detect?

6. **Pre-Approval Scheme** - What this really means is you are not approved. You may be, but you aren't yet. However, the word, "approved" has a nice ring to consumers so it's the perfect way to offer a low interest rate card to folks who fall for the trick. Check out the fine print in the offer and you'll find that if you "fail to qualify" for the rate offered, you can be issued another card. Beware, that substitute card may take you to the cleaners. Furthermore, it's likely you received this offer because you have been carefully chosen, via "predictive modeling" as having the perfect credit profile for this "bait and switch." You can opt out of most pre-approved credit card offers by calling 1-888-5OPTOUT.

7. **Customer Service Nightmare** - Apparently credit card companies have designed their customer service not to assist customers, but instead the maze- like system of waiting queues seems orchestrated to break the will and spirit of consumers to the point that we often "throw in the towel" convinced that we're engaged in a frustrating, time-consuming, and hopeless pursuit.

8. **How About a Raise?** Credit card companies can raise your interest rate at any time, for any reason, upon 15 days notice. Check your mail.

9. **Balance Transfer Fees** - Here's an offer you may want to refuse: Transfer your balance to a card with a low introductory rate. Beware of the tricky transaction fee for transferring that balance: Normally 3% to 5%.

10. **You're Over the Limit:** It used to be that credit card transactions that put you over your credit limit would be denied. Today, the credit card companies are only too happy to approve them, and then sock you with over-limit fees up to $39. Pay especially close attention to this one. This is not a one-time over the limit fee. It will chase you, month after month, until you bring your balance below the limit.

Fighting Back Against Credit Card Company Practices

Don't fall prey to credit card company tactics that are designed to take advantage of consumers. Here are some ways you can fight back against credit card company practices:

1. **Avoid credit cards with Universal Default clauses, Double-Cycle Billing, and other predatory pricing and fees**, penalties and surcharges. Carefully read the fine print in agreements before accepting a credit card.

2. **Check your credit score and credit report regularly.** Credit card companies under Universal Default clauses are constantly scanning your credit report looking for subtle changes in your credit "risk profile" or score, in order to justify rate hikes. If these card companies are carefully monitoring your credit, shouldn't you?

3. **If you discover information in your credit report that you believe to be incorrect, take steps to have it corrected on your credit reports.**

4. **Use credit cards sparingly, and don't over-apply for credit.** This will lower your credit score and lessen your chance of receiving favorable interest rates on everything else you finance.

5. **Pay more than the monthly minimums**. You won't be popular with the credit card companies because they would prefer you stay on the high- interest, debt-treadmill for the long haul, but you can put your hard-earned money to much better use, such as saving for emergencies, a child's college education, or a home for your family.

6. **Pay your credit card statements promptly.** Once you have checked your statements carefully and verified all charges, pay your monthly statements as soon as possible. Many companies encourage you to be late by sending your bill as close to the due date as possible. If you wait even a few days before paying, there's a good chance your payment will be recorded as "late". Also, beware of companies who change the due date on you. This can also contribute to late payments, and late fees. One customer reported a due date change occurring on an account three times in a twelve month period.

7. **Pay down, or eliminate your credit card debt entirely.** This will not only take you another step closer to financial freedom, it will also improve your debt to available credit ratio, which can raise your credit score and help you save money on a home mortgage, or refinance, automobile, or even insurance rates.

8. **Check your credit card account statements carefully for any unauthorized or improper charges, fees, penalties, or surcharges.** If you find a discrepancy on your statement, call your credit card company and fight to have the charges reversed. Don't give up. Credit card companies may frustrate, bully, and even threaten you, but in the end, you are the customer, and you can take your business to another company.

9. **Don't be hesitant to call your credit card company to request lower rates.** Studies show that approximately 50% of all consumers who simply call credit card companies asking for lower rates are successful, often reducing rates by one-third or more! Just for asking. Why are companies willing to reduce rates? They want to keep your business, especially if you have been a profitable customer. Here is a sample script you can use when approaching credit card companies:

> ***"Hello, my name is (Your Name). I have been a good customer of (Credit Card Company) for (number of years) years. Recently, I have received offers from several other companies that are offering much lower rates. I want to remain with your company, but unless I receive a (much) lower interest rate, I will have to cancel my card."***

It is also recommended that you ask for a specific, and substantial, rate reduction. Be forthright and persistent. This will help you get the highest rate concession that the credit card company is willing to extend, given your account history and profitability profile. If the person you are talking to won't, or "can't" help you, ask to speak to a supervisor, and call repeatedly if necessary. A few minutes standing up for your rights as a good customer could help save you a significant amount of money.

10. Carefully compare credit card offers before applying for credit, and review the terms in cardholder agreements carefully before accepting cards. Once you receive your card, check the fine print carefully. If what you applied for is not what you received, take your business elsewhere.

Too Much Debt: How to Take Action Now

If you have too much debt, it is important to honestly assess your situation, and realize that you need to take immediate positive steps to turn things around. You need to know that you are not alone and you can and will transform your finances. Millions have people have been in the same situation and not only bounced back from debt – they've taken on an anti-debt mindset that put them on a road to financial freedom they never dreamed possible.

The key is to see your situation clearly. Mounting bills and debts can cause a level of stress and psychological shock that clouds one's vision. Thinking the situation is temporary, you may hope against hope that tomorrow will be different, and your debts will go away. This is a dangerous trap to fall into to. The fact is, your situation is what you have created. Maybe you spent beyond your means, or took on too much credit card debt, or you didn't have adequate savings to get you through a financial bump in the road, or maybe all of the above. Maybe you are so deep into the pattern of borrow and spend that you no longer believe it is possible to be financially free. Without a plan to deal with debts, the situation gets more stressful and it's tough to see the light at the end of the tunnel.

Take heart! The light at the end of the tunnel is you looking in the mirror knowing that if you face your situation honestly with an attitude that you can and will make the changes necessary to get out of debt and on the path to financial freedom, you can do it!

Credit Card Fact: The Danger of Paying Monthly Minimums. An $8,000. credit card debt, at an interest rate of 18%, paying the monthly minimum, can take more than 25 years to pay off at a total cost of more than $24,000! Note: even though the monthly minimums for credit cards have recently been increased from 2% to approximately 3-4%, credit card debt can still drain the life out of your financial future, especially if you continue accumulating credit card debt!

Millions of people have been in a similar situation and have turned their financial lives around – and often a lot faster than they imagined. **The important thing is you need a positive attitude and a game plan, and you don't need to carry any negative feelings into the future. Whether you got into debt through a loss of a job, medical bills, spending beyond your means, an economic downturn, or other factors, just face the situation and know that you will overcome it.**

Different Levels of Debt

The game plan that you use to attack your debt will vary somewhat depending on your level of debt: Moderate Debt, High Debt, and Unmanageable Debt.

A moderate level of debt is the situation many people find themselves in. Debt may not be a real serious problem yet, but it's growing and, if allowed to worsen, could lead to a major problem -- especially with the loss of a job, a medical emergency, or other unexpected financial event. Obviously, debt grows as an individual or family spends more money than it earns month after month. Even though additional income will improve your situation, we have found that many people with high-debt habits often increase their debt loads right along with their incomes. The key is to begin to break the cycle of debt and change your mindset so that you are proactive in attacking your debts before they do serious damage. The first step is to assess your financial situation by carefully listing your income and expenses on a budget worksheet. Regardless of whether you have low debt, high debt, or unmanageable debt, this is a very important step to take.

1) **Carefully review your income, expenses, and current debt level**. This exercise alone for many people is a real eye-opener. After you have <u>recorded your income</u>, make sure you look at <u>all your monthly expenses</u> by first

reviewing all of your monthly bills for necessities like housing, transportation, taxes, utilities, insurance, etc. Then, by taking a close look at your credit card bills, ATM withdrawals, checkbook, and other disbursements, analyze all of your miscellaneous expenses. This would include offerings, food expenses, childcare, school tuition, medical bills and co-pays, clothing, entertainment, dues, etc. After you have added up all of your expenses, subtract your expenses from your monthly income. Unless the amount is equal, the result will be a surplus or a shortfall. **As you go through this process, honestly ask yourself what are the items from the "miscellaneous" category that you can reduce or eliminate.** Are having these "extras" worth the additional pressure and stress they are causing? **Seeing how eliminating these "extras" can not only help you get out of debt but actually build wealth is one of the most powerful things you can do to begin changing your financial future.** Imagine getting out of debt and building wealth on just a few extra dollars a day! Personal financial expert and educator David Bach is an inspirational leader who is teaching people how to do just that and you can read about his debt-to-wealth strategies at davidbach.com

2) **Free up hidden goldmines in your budget make them work for you.** Aside from your monthly expenses that are necessary and "fixed", free up money from your budget by locating expenses in the "miscellaneous" section that you can reduce or eliminate. "Hidden goldmines" refers to money being spent each month on things that are not absolutely necessary. Maybe you can cut back on meals out, a morning latte, or any of a number of relatively minor sacrifices. By taking this same amount of money and using it to pay down your debt, this money is turning into gold, because it can literally transform your financial future. Make it a fun game or challenge you take on: Be creative and thrifty: Find money wherever you can and use it to chew up your debt, especially high-interest credit card debt. This is the first step to building financial freedom and wealth.

DRC Debt Free Key: If you are paying the monthly minimums on your credit cards, and tolerating a high level of "miscellaneous" expenses that you can do without, you are playing a dangerous game of roulette with your finances. High interest credit card debt can be your absolute worst enemy and eat away at your financial prospects faster than anything else. Credit cards often start out as a convenient way to buy the things you'd like to have. Then, as balances increase, and numbers of credit cards increase, and interest rates are increased, you find yourself credit card- captive.

You are basically working as an employee of the credit card companies. The $250-$500-$1000 or more that you pay every month to the card companies is money you could be plowing into savings, an accelerated mortgage payout, or a new home for that matter. That money could even be earning you interest income, instead of stealing away your financial future.. This may be the only discretionary income you have to prepare for the future. Don't use it to help the credit card companies achieve record profits. Even if they send you a customer recognition plaque with an engraved thank you note, it's still not worth it. The bottom line: Put your hard-earned money to work for you and your family, not the credit card companies!

If you are still not convinced of why you need to avoid high credit card debt, read pages 27-28 of this guide detailing common practices of credit card companies – practices that are carefully designed to create credit card company employees out of millions of citizens. If you take nothing else from this guide, please understand the inherent danger in credit cards. Credit cards can be convenient to carry, they can help you track expenses, demonstrate creditworthiness, and even offer some protections on purchases – but you should use them sparingly and pay them off each month if at all possible!

3) **Develop and follow a plan to eliminate your credit card debt.** As noted above, high interest credit card debt can be the most destructive debt of all, so you must be determined to get rid of it, once and for all.

List all of your debts, including your credit cards. List your balances, interest rates, finance charges, etc. You must avoid accumulating high levels of credit card debt. If you already have substantial levels of credit card debt, you must pay more than the monthly minimums or you are basically throwing your money away in interest fees to the credit card companies. **Most experts agree that the best way to get rid of credit card debt is to attack the credit card balance that has the highest annual percentage rate first. Once that card is paid off, then move on to the card that carries the next highest interest rate.** Continue this process until all of your credit cards are paid off. Obviously, to get rid of credit card debt, you cannot continue accumulating credit card debt.

One way to have the convenience of a credit card, but avoid debt, is to carry an ATM bank card for emergencies. It is important to note that, even though you may pay off a credit card entirely, it is not advisable to close the credit card account, as closing an account can reduce your credit history as well as your debt-to-available credit ratio – and both of these factors could actually lower your credit score. Speaking of credit scores, by paying down your debts and not closing accounts, you can increase your credit score substantially – and this can help you save a money on non-credit card financing, hopefully for appreciating assets, like a home.

4) **Request lower interest rates from credit card companies.** Be aggressive with credit card companies to get your rates lowered! Let them know if you have been a good customer, that you will take your business to other credit card companies offering lower rates if they don't lower yours. Statistics show that up to 50% of the time, customers who simply ask for lower rates, are able to get them – if they can present a case of a legitimate burden or overwhelming debt and the urgent need for lower interest rates -- sometimes 7-10% lower, or more! Certainly a credit card company will never call you offering to lower your

rates so you have to be proactive. Don't be afraid to call them! They want to hold on to profitable customers. If you are shy or hesitant to call, write down exactly what you want to say and read it to the customer service rep assertively. If they won't, or "can't" help you, ask to speak to a supervisor. (See "Fight Back Against Credit Card Companies" #9). In the situation where you are falling behind with your payments, don't wait for the situation to escalate. Call creditors, explain your situation, and they often will work with you to adjust your payment, or payment date – especially if they know that your situation is temporary.

5) **Consider Balance Transfers to Pay Off High-Interest Credit Card Debt.** Individuals with good credit often receive multiple offers to move balances from one card to another. The second card typically promises a low introductory rate. **If used sensibly, balance transfer cards can help you reduce credit card debt. But, for most consumers, we feel that is a very big "if."** First of all, balance transfer cards typically come with a variety of hidden fees and conditions that often blow up in cardholders faces: Introductory rates that skyrocket in just 3-6 months; Pre-approved offers that promise low rates, and deliver a card with much higher rates because you don't "qualify" for the rate offered; Add-on fees for balance transfers, often 2-3%; balance transfer cards can also drive down your credit score, especially if you close old accounts, transfer balances from cards with high limits to lower limits, even applying at all for new credit will eat away at your score. Despite all these potential "minefields", balance transfer cards can work for you if you truly use the cards to pay off balances, not take on more debt! **If you do apply for a balance transfer card, make sure you pay off your balance, or the very highest amount you can, before the low interest period expires!**

6) **Carefully Weigh the Option of Debt Consolidation.** In theory debt consolidation sounds very appealing. How can it not make sense to combine several higher interest debts into one lower interest, more manageable debt? Problem is, many people use debt consolidation as an easy way to run credit card charges through the roof again! When this happens, consumers not only have the high-interest credit card charges and interest rates chasing them, but they often have a home equity loan or refinance to pay off.

When you use real estate to secure a loan (either home equity, line of credit, or refinance) for the purposes of paying off credit card debt, you have turned unsecured credit card debt and transformed it into secured debt. Should your debt spiral further out of control, as it often does with individuals who look at debt consolidation as a magic solution, you are at risk of losing your home.

There are people who have the determination and persistence to make debt consolidation work for them. But **before you strongly consider debt consolidation, you must be honest about the amount of willpower you have to avoid falling into the debt trap again**. If you do have the discipline to avoid running up credit card debt again, debt consolidation may allow you to consolidate all of your high interest debt into one debt that carries a much lower interest rate.

One major advantage of debt consolidation is efficiency and convenience. Rather than having to pay 15 or 20 different creditors, each charging different interest rates, and each having different payment due dates, debt consolidation allows you to take out one large loan to pay off all the accounts at once. Then, you are left with just one big loan to pay off, with a single payment on that loan due once per month.

Just make sure before you go with a debt consolidation loan that the true cost of the new consolidation loan delivers a significant savings to you vs. what you are already paying creditors. **If your credit score is hurting, which it very well could be when you are going through tough times, your debt consolidation loan interest rate may not be a bargain at all. That's one of the reasons more and more financial professionals are recommending credit counseling and debt management programs vs. adding more debt on top of the debt you already have.**

Debt Solutions Explained

There are several popular debt relief options to help individuals and families get out of debt faster. While each debt solution works a bit differently, **the goal of all debt relief programs is to help consumers burdened by debts to qualify for lower payments, save money, and get out of debt faster.**

You may wonder why credit card companies would be willing to reduce interest rates, waive late fees and penalties, or even settle debt for much less than is actually owed. The answer is quite simple:

When consumers fall behind with monthly payments by 30-60-90 days – many consumers even considering bankruptcy – credit card companies will often decide to "sell off" what they term "bad debt" – often for as little as pennies on the dollar.

It stands to reason, then, that **credit card companies would rather agree to reduce interest rates, waive late fees and penalties, or even agree to settle debt for much less than is owed** rather than be forced to sell off bad debt for as little as pennies on the dollar.

Regardless of the debt program, it's important to understand that debt relief programs don't make debts magically "go away" **- but they could lower monthly payments substantially, save thousands of dollars, and help you get out of debt faster.**

Debt Consolidation, Credit Counseling, Debt Management

The goal of a debt consolidation or credit counseling program (also known as Debt Management) is to combine, or consolidate, multiple high-interest debts into a single, lower more manageable payment each month. By taking advantage of the benefits of debt relief – such as reduced interest rates and waived late fees and penalties – a debt consolidation plan could not only lower your monthly payments substantially, but also get you out of debt much faster.

Debt Negotiation or Debt Settlement

The goal of a debt settlement program is for creditors to agree to "settle" debts for much less than is actually owed. While the goal of a debt consolidation or debt management program is to pay back the entire amount of your debt – just at a much lower interest rate, the goal of debt settlement is to set aside enough funds in a settlement account so that you can make a reasonable settlement "offer" to creditors for much less than you owe. Debt settlement has become an increasingly popular debt relief option for individuals and families are looking for a way out of debt without having to file bankruptcy. Even though debt settlement will typically have a negative impact on personal credit – the impact on credit is not as severe or long-lasting as bankruptcy.

How much does debt relief cost? Are there any upfront fees?

The debt relief evaluation and saving estimate is free with no obligation.

Should you decide to enroll in a debt relief program, there are no upfront fees. In fact, by law, debt relief companies (unless attorney-based) may not charge any fees for debt relief services until at least one debt is successfully reduced or resolved.

Will debt relief hurt my credit?

Depending on your current credit standing, debt programs can – in the near term- affect credit scores. However, debt relief programs do not have as severe or long-lasting an impact on credit as a personal bankruptcy. And, the good news is that the first step to achieving a strong credit score is to keep your available credit-to-debt ratio to a minimum. So, the first step to a good credit score is to pay down debts as quickly as possible. Regardless of your credit standing, by getting out of debt, maintaining a budget, and doing all you can to avoid the debt trap – credit scores can improve much faster than you might imagine.

How much could debt relief save me?

Debt relief programs do not make debts magically go away – but they can save consumers thousands, or tens of thousands of dollars, depending on the debt program, the amount of your debt, the interest rate you are currently paying, and the debt relief benefits that creditors are willing to offer you – depending on your hardship.

When calculating how much debt relief could save, it's important to understand that when you are being charged high interest rates and only make minimum payments every month – the true cost of your debt may be thousands, or tens of thousands, of dollars more than the amount of your actual purchases.

And, even if you stop using credit cards, it can easily take twenty years, or more to become debt-free!

The bottom line: Saving money with debt relief programs is a result of:

1) Taking control of credit and finances by avoiding new credit purchases and.
2) Paying down existing debt under more favorable terms so that you get out of debt faster

Which debts qualify for debt relief programs?

Generally, the types of debt that qualify for relief are known as “unsecured debts”. These are debts that are not “secured” or “backed” by collateral. Unsecured debts include credit cards, store cards, gas cards, medical bills, signature loans – and any other debt that does not require you to place your personal asset as collateral in exchange for obtaining credit. For example, home loans and auto loans do not qualify for debt relief programs as these loans are actually “secured” by the actual asset (home or car)

What is “debt hardship” and who qualifies?

Generally, debt relief programs are intended for individuals and families that are experiencing a financial hardship – such as loss of job or income, medical bills, or simply overwhelming debt that places a severe burden on personal or business finances. Typically, credit card companies are less than willing to offer the benefits of debt relief to consumers who are financially stable – but fall victim to the “plastic promise” of buy now, pay later. If you are overwhelmed with debts and truly facing a debt burden, it’s important to know the debt options available to you.

More About Credit Counseling or Debt Management Programs

If you are finding it hard to manage debts on your hand, a debt counselor or credit counselor may be able to help you get back on track financially. Through credit counseling, debt management professionals will hold your hand, and work closely with you to assess your level of debt, income, and expenses. Then, by presenting your case to creditors who may agree to alternative payment terms, credit counselors can help you come up with a working game plan to get you back on your feet.

In comparing credit counseling and debt management to a debt consolidation loan, credit counseling can also save you substantial time in money. For instance, if you owed approximately $20,000, you might end up paying approximately $8,000. In interest and fees and actually be out of debt in approximately five years under a debt management program set up by a credit counseling company. If you were to take out a home equity loan and had only average credit, it is likely your 15 year home equity loan would carry an interest of 10% or so. This means that, in addition to the money you have borrowed, you would be paying almost $19,000 in additional interest.

Probably the most important consideration is that under debt consolidation you are trying to cure a debt problem by taking on more debt, putting yourself and possibly your home at risk. Under credit counseling and debt management, you are learning how to successfully “manage” your debt, given a financial game plan, and have the goal of a debt-free day to work towards. Many people find this serves as a great motivation to keep them on track towards the very important goal of being debt-free.

In theory, there is nothing that credit counseling agencies do that individuals can't do for themselves, but credit counseling is often a very wise course of action as it gives individuals the encouragement and carefully developed course of action needed to get out of debt. **The bottom line: For those that find it hard to see through the clouds of debt, a credit counseling debt management program, if followed diligently, has an excellent probability of success. The key is "if followed diligently" because no debt program makes debts magically go away.** In return for consolidating your debts into lower payments under a credit counseling debt management program, you'll be required to give up your credit cards. This may cause a bit of credit card withdrawal over the short term, but it can pay big dividends in peace of mind and future financial freedom and prosperity for your entire life.

How to Handle Bill Collectors: Understand Your Rights!

If you have a bill that has gone unpaid for a long time, it may be turned over to a collection agency or "bill collector". Once this happens, you need to understand exactly what has happened, and what your best course of action is. If you do owe a debt and it is valid, and you have the ability to settle the debt, we believe you should live up to your obligations. But we also believe you need to understand your rights under the law and make sure you are protected.

Let's review how collections begin: Your account has been turned over to collections. Moving forward, it is likely that you will not be dealing with the original company or creditor. Understand this fact, and the fact that the company you are now dealing with has no interest in keeping you as a customer. All they are is a collection department working "inside" the framework of the original company you owed money to, or more than likely, as an "outside collection agency pressuring you, in hopes of making a percentage on the amount of money they extract from you. In many cases, your account may actually be sold to a collection agency for pennies on the dollar. That means your $5,000 debt may have been sold for $100 dollars to a collection agency that employs a team of aggressive collectors to pursue you.

With collection agencies, you have to be tough. They play tough, and often not by the rules. They will try to hold your feet to the "fire" in order to earn a commission on the debt you allegedly owe. But, it is important for you to first "hold their feet to the fire" and make sure they are acting within the law. **The law that governs how collection agencies may conduct their business is called the Fair Debt Collections Practices Act (FDCPA).**

One early sign that you may not be dealing with a collection agency that is playing by the rules is the initial contacts you receive from the collections agency: Under the FDCPA, within five days after contacting you about a debt, a collector is required to send you a written letter of notice detailing how much you owe, the original creditor's name, and what your rights are if you believe you don't owe the money. **If you do not receive this official notification, do not speak or deal with the collection agency** in any way. Your first course of action is to contact the collection agency and demand that they provide this to you under the terms of the FDCPA.

If you send a letter to the collection agency disputing the debt, within 30 days of receiving the written notice noted above, the collector is required to send you documented proof of the debt you had with the original creditor. **If they do not provide this to you, by law, they must cease contacting you.**

In the meantime, many collection agencies may use other tactics that are illegal under the FDCPA: **Collections agencies may not:**

-Call you at odd hours (Before 8am or after 9pm); -Call you at work, even after you have explained that your employer does not permit such calls; Threaten to take action against you, such as issue a warrant for your arrest; Use obscene language; Talk to your friends or family about the debt; Threaten to sue over a debt that is over the statute of limitations, and covered under the statute of limitations. These timeframes vary by state, but are generally 3-6 years.

So, how should you deal with collection agencies? Assuming that they have provided the necessary documentation under the FDCPA to "validate" that the debt is actually yours, it makes no sense to talk to them until you have a proposed course of action in mind that you can bring to them. Until the time, avoid their calls, screen their calls on an answering device or caller ID, or hang up if you must.

However, avoiding collectors is still a temporary way to buy time. If the debt is a legitimate one, you should come up with a plan of action to deal with the debt. If you determine that you are able to repay even a portion of the debt, you should first get the collector's assurance in writing that they will not, after you have repaid the negotiated amount, report the settlement as a negative item on your credit report. Never send a lump sum settlement amount, or even a single debt installment payment to a collection agency unless you have a settlement agreement detailed in writing.

Finally, if you have tried to come up with a repayment plan with a collection agency but the collection agency refuses all offers, you may want to consider hiring a lawyer to work on your behalf. You can get a list of referrals by contacting the National Association of Consumer Advocates at (202) 452-1989.

Bankruptcy

This is normally your last option in financial crisis, and should only be considered after all other options have been exhausted because the impact of a bankruptcy is long-lasting. While bankruptcy does wipe out many debts completely, it is a public record that will remain on your credit report for 10 years, and can make it hard for you to get future credit, purchase a home, obtain life insurance, or even secure employment. However, bankruptcy is a legal option that has helped many people get a fresh start and free themselves from a mountain of growing financial obligations.

Many people struggle with the decision of whether or not bankruptcy is the best option. **As with all serious financial decisions, we recommend that you get professional advice to weigh both the benefits as well as the impact a bankruptcy can have on your life.** Generally, bankruptcy may be a viable option if:

-Your debts run into the thousands of dollars, are spiraling further out of control, and far exceed your ability to repay.

- You have tried to work with your creditors and cannot find a solution.

-Creditors have begun the process of repossession or foreclosure on your property.

There are two types of bankruptcies: Chapter 7 and Chapter 13. Chapter 7 is a straight bankruptcy and requires a liquidation of all assets that are not exempt. Chapter 13 allows individuals with a regular income to maintain ownership of property, while a court-approved future repayment plan is arranged over a period of 3-5 years. Chapter 7 and Chapter 13 bankruptcies have other requirements and features that should be clearly understood.

Note: The new bankruptcy law went into effect in October of 2005. Under this law, individuals are now required to get credit counseling from a government- approved organization within six months before filing for bankruptcy relief, whether it is Chapter 7 or Chapter 13. You may locate a state-by-state list of government-approved Credit Counseling organizations at www.usdoj.gov/ust

Here is a summary of the major changes under the bankruptcy law:

Credit Counseling Required Before Filing: Debtors must undergo credit counseling six months before filing. This is to encourage consumers to pay debt rather than walk away. If consumers in debt have little income (less than their states median income) to repay debts, they will be eligible to file Chapter 7. Consumers at higher income levels will be encouraged to develop repayment plans to payoff old debts. Consumers who file for bankruptcy are also required to take a course in financial management after filing.

The Income Means Test: For individuals to qualify for filing a Chapter 7 Bankruptcy (Straight bankruptcy- which allows people to cancel all unsecured debt, such as credit card debt, medical bills, etc.) **individuals will have to earn less than their state's median (average) income.** Those that earn more than their state's median income, may file bankruptcy under Chapter 13 (Requiring at least some of the debt to paid off under a repayment plan)

Changes to Debt Payment Plans Under Chapter 13: The revised time period required to make payments on existing debt increased from three years to five. The bottom line: Chapter 13 filers will have to pay back a higher percentage of the amount they owe.

Recent Purchase Payback Changes: Debtors will have to pay back the full amount on loans (auto loans) made within 30 days of filing for bankruptcy.

Repeat Filing Limitations: Individuals may only file Chapter 13 Bankruptcy once every two years. In the past, there was no limit in place.

Higher Legal Fees: Because the new bankruptcy law contains the income means test, as well as proof of income provisions, including pay stubs and tax returns, legal fees will likely be considerably higher.

From Debt to Financial Freedom: The Debt-Free Mindset

While this guide provides a variety of valuable information on dealing with credit and debt, the most important piece of advice we can provide to help you build a life of financial freedom and prosperity is to begin your financial makeover by looking in the mirror!

Think carefully about how your attitudes, perceptions, and beliefs about money have played a major role in creating your current situation. Many people don't believe that they can become prosperous and financially independent. They long to possess the things that others around them have, even when they can't afford them "right now." They may, in order to experience a temporary purchaser's "high", dig themselves deeper and deeper in debt. In time, they have become completely "credit-captive", and can't see any hope on the horizon.

In fact, this cycle of debt and discouragement plays right into the hands of credit card companies and other financial institutions who depend on consumers to play the borrow and spend game month after month, year after year. Eventually, consumers, maybe even you, have to realize that you have the choice to become debt-free and build financial freedom, if you develop a debt-free mindset. **Before you can take control of your debt, you have to take control of your mind.** Once you have decided that you will build a life of financial freedom, you can do it if you follow the basic steps that are the building blocks to a life of financial freedom.

Debt-Free, Wealth Building Key: "Those who understand interest, earn it. Those who don't, pay it!" This anonymous quote sums up a vital key to becoming financially free.

If you truly understand the principle of earning interest, instead of paying it, and have the resolve to become financially free, you can transform debt into a life of prosperity. Here are some key steps to help you on your way:

1. **Set the Highest Goals for Your Life, Your Finances, and Your Future**. What is it that you want to achieve? A debt-free life, financial independence, a home, a secure future for your children, the ability to serve society, giving of your time, your money, or both? If you don't have a goal that excites and inspires you, why bother to go on to the next step? Be specific about your goals. Make a movie in your mind or paint a clear picture. See it. Believe it. Achieve it.

2. **Carefully Assess Your Current Financial Situation.** List your expenses and income. Remember to not only include the absolute necessities, but also those "miscellaneous" expenses that are easy to overlook. Look at your checkbook, your ATM withdrawals, etc. to help you get the true picture of your spending habits. Don't overlook the odds and ends that really add up. Take your monthly income, and then subtract your expenses, including miscellaneous expenses. This is your current monthly bottom line, but it doesn't have to be your reality in the future. Go on to Step 3.

3. **Find Money You Didn't Even Know You Have. Develop a Budget and Stick To It.** By honestly identifying miscellaneous expenses that you can easily do without (extra meals out, lattes, etc.) you are taking the first key wealth-building step of earning interest instead of paying it. Why? **If your current miscellaneous expenses are financed by credit cards, you are on a life-long track of paying interest**. **If you cut down or eliminate unnecessary expenses** and use the "found" money to pay down or eliminate debts, **you will soon be able to invest this "found" money to achieve your goal of financial freedom**. It cannot be stated strongly enough: If you are on a treadmill of owning multiple high-interest credit cards, carrying high balances, it is next to impossible to become financially free. Even if you get a raise, it is likely your cycle of debt will just continue – only the purchases will be larger, and the balances higher.

4. **Pay Yourself First**. Once you have assessed your situation and developed a budget, ask yourself a very important question. Did you pay yourself? An absolute unshakeable principle of building wealth is to pay yourself first. If you simply pay your bills and debts, month after month, wishing and hoping for something to be left over to build for the future, you may find that there's "never" anything left over. Put yourself (and your family) at the very top of the "must pay" list. You can begin by building your own savings fund (see #6) and progress to adding on to your investment portfolio (see #7).

5. **Be Anti-Debt. Avoid New Debts, and Pay Down Existing Debts!** Remember, building wealth means "earning interest instead of paying it" so you can't continue to take on more and more debt, unless you are using credit and debt wisely to build lasting assets. Try as hard as possible to eliminate impulse purchases that will delay the achievement of your goal. Tell yourself, every time you resist something that you don't absolutely need, you are one step closer to achieving your dream. **Attack your existing debts with a vengeance, especially credit card debt. As noted earlier in this guide, make a list of your debts. Then, beginning with the highest interest debt, eliminate your debts one by one**. Once you have paid off your highest interest rate credit card, attack the card with the next highest rate, and so on. As you do, don't close your credit card accounts because this could have a negative effect on your credit. Just don't use more than one or two cards. When you do, pay off new charges each month. The sooner you eliminate high interest credit card debt, the sooner you can begin to harness your ability to become financially independent.

6. **Save Money for Unforeseen Circumstances**. While you are cutting down on your expenses, and eliminating your debt, you should also be saving a little each month in an emergency fund. Most financial advisors recommend building up savings the equivalent of three to six months living expenses. By having this modest fund in place, even a temporary financial bump-in-the-road, won't deter you from moving full force ahead toward your financial goals.

7. **Invest to Build Wealth.** Once you have eliminated bad high-interest debt from your life, and have a small contingency savings fund in place, you can move full speed ahead to building a life of financial freedom. Much of the hardest work has already been done. You have the debt-free mindset necessary to stay on track. As you continue to pay yourself first each month, you will now be paying into your investment portfolio. This is where the goals that you set for yourself Step #1 will determine the investment vehicles that you choose. There are no-risk investments, low- risk investments, and high-risk investments.

   There are historically strong wealth-building assets such as real estate, there are tax benefit retirement accounts, and multiple other investments and wealth-building vehicles to <u>make your money work for you</u>. So how do you choose the best strategy for achieving your goal? Fortunately, today, there is a growing list of outstanding financial experts and authors who have proven strategies for building wealth. Individuals such as Dave Ramsey, David Bach, Jean Chatzky, Jennifer Openshaw, Robert Kiyosaki, and many others are transforming the financial future of millions of Americans. They are truly passionate about helping people realize their financial goals and we strongly support their mission.

Again, the strategy you choose for achieving your goal will depend on the goal you have chosen for yourself. Regardless of the path you choose to build a life of financial freedom, remind yourself that “those who understand interest, earn it, those who don’t pay it.” Become among the growing legion of credit-wise people who refuse to be burned by the high- interest credit card game. It’s a sure-fire success for the credit card companies, but it’s not the way you want to live. Rise above high-interest debt, eliminate it from your life, and invest your money in something that is truly worthwhile – invest in yourself, and the dreams you have of building a life of financial freedom.