THE CONSUMER ADVOCATE

Debt Counseling Corp.

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Thank You

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Credit Report & Credit Score Misconceptions

Credit reports and credit scores are both tools used by financial institutions (as well as others) to assess how responsibly you have managed your finances in the past. Specifically, your credit score is typically one of several factors used by lenders to determine whether or not they will lend money to you, how much they will lend and the interest rate charged when you apply for a loan or credit.

Unfortunately, there is *a lot* of misinformation about credit reports and credit scores that regularly circulates and it is difficult to discern which information is true versus false.

First, it is important to understand the terms credit report and credit score are different, although often used interchangeably. A credit report is essentially a "report card" on how you have handled credit (i.e. credit card, car note, mortgage, loan, etc.) in the past. The credit report details how much money you owe to each creditor, payment history (on-time or late), monthly payment, etc. The credit score is the "grade" you earned based on the information in your credit report. The most common credit score is the FICO score, which ranges from 300-850, with 850 being the highest (best) score. Typically, when applying for credit, the credit score is the first thing a potential lender reviews to determine if you meet their basic lending requirements.

Although it is important to know your credit score, the score is derived from the information in your credit report. As such, obtaining your credit report and taking steps to improve the information in your report is the first step to improving your score. To obtain a free copy of your credit report, visit www.annualcreditreport.com. Everyone is entitled to one free copy of their credit report from each of the three credit reporting agencies (Experian, Equifax and TransUnion) once every twelve months. The credit report is free, however a nominal fee is charged for the credit score.

Now, let's dispel five of the most common credit report and credit score myths so you can take steps to improve your credit report and ultimately, your credit score!

- **Debit and credit card activities are both reported to the credit reporting agencies:**

  False: Typically, debit card activities are not reported to the credit reporting agencies. However, if, you overdraw your checking account (tied to your debit card) and the past due amount falls into collections or your overdraft is charged to a credit card, this information will be reported to the credit reporting agencies, impacting your credit score. If you use your debit card responsibly, your activity will not be reported on your credit report.

Credit Score Myths (cont.)

- **Carrying a balance on your credit card will improve your credit score**
  False: Carrying a balance on your credit card will **never** improve your credit score. In fact, carrying a balance often negatively impacts your score.
- **Income impacts your credit score**
  False: Income is often used to determine if a financial institution will extend credit to you, but your income is not reported on your credit report.
- **You should only have one credit card**
  False: Debt Counseling Corporation recommends consumers have more than one credit card, but no more than four. Be sure that you can responsibly manage several credit cards i.e. pay the bills on time, keep zero or low balances, avoid overspending, etc. If managing multiple credit cards is overwhelming, DCC prefers you have one credit card that you manage successfully.
- **If you check your credit report, your score will go down**
  False: When you check your own credit report, it does not impact your credit score. However, each time you apply for credit, there is an "inquiry". Too many inquiries can negatively impact your credit score.

Keep in mind the information in your credit report, and subsequently your credit score, is constantly changing. Our Certified Credit Counselors are always available to help you review your credit report and offer guidance on the different steps you can take to improve it. Remember, the single most important step you can take to improve your credit, is to make sure you pay all your bills on time.

For more information on credit reports and credit scores, contact one of DCC's Certified Credit Counselors at 888.354.6332 or visit our website at www.DebtCounselingCorp.org.

Does Chip Technology Make Your Credit and Debit Cards More Secure?

Today, it is commonplace to learn a credit or debit card was either lost or stolen and fraudulent purchases were made. Thieves will continuously find different ways to steal your information and use it for their personal gain while creditors will continue to develop new ways to prevent fraud from happening.

The newest technology to be implemented in the United States to combat credit card fraud is the EMV card (an acronym derived from **E**uropay, **M**asterCard and **V**isa who developed the technology). These cards contains a security chip and when making an in-person purchase, the cardholder inserts their chip into a card reader to authorize the sale. Each time the card is inserted, a unique one-time code is generated to approve the transaction, thus making the card more difficult to counterfeit. Unfortunately, the EMV card does not prevent all credit card related fraud, such as using a stolen card for online purchases, but it is another layer of security used to combat fraudulent purchases.

The biggest change with the implementation of the EMV card is the shift in who is responsible for paying for a fraudulent purchase. Before October 1, 2015, if a consumer's card was duplicated and used to make an in-store purchase, the creditor would refund the cost of the fraudulent purchase to the store. Now, with the implementation of EMV cards, the liability for fraud has shifted from the bank to the store. Specifically, if the creditor has provided a consumer with an EMV card, but the store has not updated their card reader to accept EMV cards, the store is liable for the fraudulent purchase, not the bank. Note* The Fair Credit Billing Act limits the consumer's liability for unauthorized charges in the event a credit card is lost or stolen. However, it is important that the consumer immediately contacts their creditor directly to report their card lost or stolen card.

Remember, fraud not only affects the retailer and bank who issues credit and debit cards, it ultimately affects you. When banks and retailers lose money due to theft and fraud, they respond by charging higher prices for goods and services, paid for by you!

Counselor's Corner: $avings Tips

Learn from Debt Counseling Corporation's experts! The beginning of a new year is a great time to re-assess your budget and spending patterns to find new ways to save money. Below, find tips about how to best incorporate savings into your budget from DCC's Certified Credit Counselors

* "Determine a specific amount you can save from each pay check, for example, $10 per pay period. Then, set up a <u>separate</u> account designated for savings and have your employer automatically deposit those funds into that account. And, do not touch those funds unless there is an emergency."
* "Understand which method of payment (i.e. cash, debit or credit card) encourages you to spend *more* money. Then, limit your access to it. For example, if you know that when you have your debit card, you spend money more freely than you would if you had to pay cash—leave that card at home or at least keep it out of sight."
* "When using cash, if the cashier hands you a $5 bill as part of your change, put the $5 bill aside as savings. You will be surprised how many $5 bills you accumulate over the course of a few months. Also, at the end of each week, put all your loose change in a jar and let it add up over the year."
* "Use the envelope system. It may seem silly, but it works. Each week, designate a specific dollar amount you will spend on things you are not billed for - such as groceries, gas, entertainment, etc. and put the cash in an envelope. You can make one general envelope or several envelopes for each category of spending. When you shop, use the money from the envelope, but when the envelope is empty, you have no more cash to spend."
* "Make savings a bill. You work hard to make sure you have enough money to pay all of your bills each month (i.e. rent/mortgage, cell phone, cable, insurance, etc.). If you made savings a bill, you would likely work just as hard to make sure you had enough money to pay it. The savings "bill" does not have to be a lot, perhaps $5 per week to start. You will be surprised how quickly it adds up. Also, make sure you put your savings in a separate account so you can watch it accumulate!"

Be sure to incorporate one of these savings tips and watch your savings grow! Remember, each time you choose to spend less and save money, you are investing in your future! If you have a savings tip that has helped you, post your savings tip to our Facebook page (find us at Debt Counseling Corp.) so others can learn from you.

Celebrity $ense

"Do not save what is left after spending, but spend what is left after saving"

~Warren Buffet, American businessman & investor

Debt Counseling's Success Stories

DCC periodically receives letters from consumers we educate as well as from clients paying down their credit card debt through our Debt Management program. Often, they share their stories of financial burden which have been successfully turned around with our help. DCC welcomes these narratives as they are great encouragement for those who are just starting out. Below, find one of the many notes we have received from clients who are on their way to financial freedom.

"I was so stressed out about my bills before I found you! So many people were giving me different advice and I didn't know who to turn to. When I found you, I had already spoken to a ton of "professionals", but you guys were different. I felt you actually cared and you explained everything instead of assuming I already knew. You were always great when I called with more questions. This is more than debt consolidation, you helped me in so many other ways. Thank you, thank you, thank you!!!" ~R.G.

Want to share your story? Email Carly Wardwell, Education Director at cwarwell@debtcounselingcorp.org.

DEBT COUNSELING CORPORATION

3033 Express Drive North
Suite 103
Hauppauge, NY 11749

Phone: 888.354.6332
Fax: 631.582.5085

www.DebtCounselingCorp.org

Spotlight on the Community

In 2015, Debt Counseling Corporation partnered with Eastern Suffolk BOCES (**B**oard **O**f **C**ooperative **E**ducational **S**ervices) to conduct financial literacy workshops for first and second generation Hispanics enrolled in their ESL classes (English as a Second Language) through our Program *Esperanza Financiero* (Financial Hope). Due to the success of these workshops, DCC was invited back to BOCES in 2016, whereby our counselors are scheduled to conduct **twenty-three** money management workshops. These workshops teach first and second generation Spanish speaking consumers (the majority of whom fall into the low to moderate income bracket) the basics of money management. Workshops also explore the importance of becoming a "banked" consumer, how to develop a monthly budget, tips to reduce expenses and offer referrals to social service and non-profit agencies that provide additional assistance.

What's New at DCC

Debt Counseling Corporation is always developing new ways to educate consumers about money management. In 2015, our Certified Credit Counselors developed short videos exploring specific money management topics. A sampling of video topics include, how to teach your kids about money, how to develop a monthly budget, savings tips, credit reports and scores and the like.

To watch DCC's videos, visit www.YouTube.com and search "Financial Fitness Fast Facts" to learn more about money management and meet two of our Certified Credit Counselors. After you view each video, be sure to click the "thumbs up" icon to let us know you learned something from the videos!

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The mission of Debt Counseling Corporation is to educate the general public about debt management options such as budgeting, refinancing, and a debt management program; to provide consumers consistent, superior, individualized service; to provide each consumer with the tools they need to develop and modify a budget which will allow them to maintain a dignified lifestyle.