



...a brighter tomorrow

THE CONSUMER ADVOCATE

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New Student Loan Rules and Regulations

Due to the current state of the economy, hundreds of thousands of individuals across the United States have decided that it is in their best interest to get a college degree. For many, they will be starting college for the first time while others will be returning to college after years in the workforce. It is a time of excitement to be in the classroom and learn about new topics, but for a lot of individuals paying for higher education is a great cause of stress. It is a common misconception that the cost of earning a degree has to be extremely expensive; you may have heard stories about how some students graduate with between \$80,000 - \$100,000 in student loan debt. This does not have to be — there are many great colleges and universities you can attend that are much more affordable.

Tuition costs vary from college to college. For example, according to www.collegeboard.com the average cost of a two year public college is approximately \$2,713 per year compared to a four year public college which averages \$7,605 per year; a four year private nonprofit college costs approximately \$27,293 per year. As you can see the cost of education can add up quickly depending on the type of college or university you attend. Why not attend a two year college and then move to a four year college to complete your degree?

To address the student loan industry and the challenges many college graduates have

paying back their student loans, in March 2010 Congress passed the Student Aid and Fiscal Responsibility Act, part of the Healthcare and Education Reconciliation Act of 2010. This legislation has made significant changes to the federal financial aid system; it has simplified the student loan application process and provided additional consumer protections to help make applying for student loans easier and paying back the loans less costly.

The new student loan rules went into effect on July 1, 2010 in time for the 2010-2011 school year.

*Please note the following programs apply to *federal* student loans.

- **Stafford loans:** Stafford loans are low cost loans instituted by the federal government for undergraduate and/or graduate studies. The funds received from this loan can be used to pay for tuition or other school related expenses. Prior to the 2010-2011 school year, students that applied for a Stafford loan went to the bank, signed a promissory note (a legal document promising to repay a loan which may include fees and interest to be paid in the future) and received funds directly from the bank. The new legislation cut out the "middle man" (the bank) and students now apply for the Stafford loan by completing a FAFSA form (Free Application for Federal Student

Thank You!

Citi and Bank of America for your support. Your funding helps us to maintain our general operation and enables us to continue our educational efforts throughout the year.

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Aid) and submits it to the college or university in which they are enrolled. The school will submit all loan applications on behalf of the student and funds are then disbursed to the student directly.

*FAFSA forms can be found at www.federalstudentaid.ed.gov.

- **Stafford loans and interest rates:** The Student Aid and Fiscal Responsibility Act regulates interest rates charged on all Stafford loans. This benefits you, the student, because interest rates have been reduced! Students that receive subsidized student loans (loans given to students that qualify for financial need) for the 2010-2011 school year will be charged a fixed interest rate of 4.5%, (formally 5.6%) but Stafford loans obtained for the 2011-2012 school year will have a corresponding interest rate of just 3.4% - that's a savings of over 2%!!! Those students who do not qualify for a subsidized Stafford loan may be eligible for unsubsidized Stafford loans up to \$12,500 per year with a fixed interest rate of 6.8%.
- **Loan repayment:** The Student Aid and Fiscal Responsibility Act encourages individuals to consolidate their federal loans with the government and sign up for income based repayment plans. Income based repayment plans base the monthly student loan payment on the borrower's monthly income, capping the monthly consolidated payment at 15% of your discretionary income. Additionally, all federal loans disbursed after 2014 will qualify for income-based repayment where the monthly student loan payment is calculated as up to 10% of your gross monthly income. *Students that do not take out new student loans may also qualify for income based repayment if total student loan debt is equal to or greater than your annual salary.
- **Loan forgiveness:** Can you believe the federal government is willing to forgive a portion of your student loan!! That's right! If you make 300 payments (25 years) on your federal student loans, the remaining student loan debt will often be forgiven. Additionally, if you are employed full time in a public service job including work at a



501(c)(3) not for profit organization, a federal, state, local or Tribal government organization (public schools, universities and colleges), military, law enforcement, public health, etc. and repay your student loan under the Direct Loan Program you may be eligible for loan forgiveness on the remaining balance of your federal student loans after 120 payments (10 years). For more information on loan forgiveness visit www.ed.gov/DirectLoan.

- **Pell Grants:** The Pell grant is federal student aid that does not have to be paid back. The Pell grant is awarded based on financial need, status as a full time or part time student and the cost of school you attend. The maximum Pell grant is \$5,500 which can be awarded for up to 18 semesters.
- **PLUS Loan (Parent Loan for Undergraduate Studies):** Due to the high cost of higher education, parents or guardians sometimes have to supplement college expenses and take out loans to help their children pay for college. The new legislation fixed the interest rate of the PLUS loan at 7.9% and simplified the application process. Parents can apply for PLUS loans directly through their children's school. However, PLUS applications can be rejected based on the parent's credit history (bankruptcy or foreclosure).

Navigating the student loan process can be very tricky and time consuming, but Congress passed the Student Aid and Fiscal Responsibility Act to try and simplify the process and reduce the fees for those seeking higher education. For more information on student loans and other student loan programs visit The Department of Education's Student Aid website at www.studentaid.ed.gov, contact your student loan lender directly or speak to your college or university financial aid representative.

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 DCC's Debt Management Program. They share their stories of financial burden which is successfully turned around with our help. DCC welcomes these stories as they are great encouragement for those who are just starting out on their road to ...a brighter tomorrow. These stories help our clients know that they are not alone in their burden and they too can change their financial habits and/or pay down their credit card debt with the help of DCC. The following is one of our client's story of financial success:

"I just wanted to take a moment and thank Debt Counseling Corp. for helping me over the last 5 years. My last and final payment came out of my checking account on May 6th. I cried tears of joy, knowing that I was finally done. I appreciate DCC for making things so simple for me and for helping me get to a better place financially. Any time that I called with a question, everyone I spoke with was courteous and professional. My credit score is 125 points higher than it was when I started the program. Without DCC I am not sure where I would be financially today. This program changed my life and I thank you for everything!" ~Bethany F. NY

Celebrity \$ense

**Never spend
your money
before you have
it.**

*- Former President
Thomas Jefferson*

Did You Know...about SMiShing?

Today is a typical day. You receive text messages from your family and friends asking questions or keeping you up to date on their daily activities, as well as a text message from your bank which isn't unusual because your bank texts you when your checking account balance is low. The text from the bank relays that your account may have been compromised and you must call them immediately (number provided) or log onto their website (address also provided). When you log onto the website or return the telephone call, you are asked to provide personal financial information such as your debit/credit card number, PIN (Personal Identification Number), Social Security number etc. Would you have given out this information? Did this raise any red flags for you? If not, you may have just become a victim of the latest scam, SMiShing.

As we become more dependent on technology, scam artists are changing their approach to elicit personal identifying information from consumers; information that will be used for the thief's personal gain. The scam SMiShing is similar to "phishing," except instead of targeting consumers via email alone, consumers are targeted for their

personal information by SMS messaging (Short Message Service), more commonly referred to as a text message.

It is easy to be duped by these scam artists. In the moments after you receive the text, you may respond because you are concerned that your account information has been compromised or you are busy with other things and automatically respond, or you may feel that the text message is legitimate because you do not share your cell phone number with many people or companies. It may not be for minutes or hours later that you realize you have been conned, but as soon as you do, take action. Consumers have reported that within 10 minutes of responding to a SMiShing message, their account information had already been compromised, but it is better late than never!

If you receive this type of message, be sure to contact your bank or financial institution immediately. Use the contact information provided on your monthly statement, credit/debit card or their company website. Do not use the contact information provided in the text message.



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Spotlight on the Community

Debt Counseling Corporation is pleased to announce that through our Program WISH (**W**omen **I**n **S**earch of **H**elp) we have been asked to host bi monthly workshops for **F.E.G.S.** (**F**ederation **E**mployment and **G**uidance **S**ervices/Health and Human Services Systems) F.E.G.S. is one of the largest not for profit health and human services organizations in the United States. Every year over 100,000 Long Island and New York City residents are reached through their programs. All of F.E.G.S. programming strives to "help each person achieve greater independence at work, at home, at school and in the community" through programs including but not limited to behavioral health, developmental disabilities and rehabilitation programs.

Throughout 2010, Debt Counseling Corporation hosted 15 workshops for the Suffolk County **Salvation Army**. DCC presented our most popular Living Debt Free workshop as well as our newly established How to Prevent Foreclosure workshop which helped launch DCC's housing counseling program.

* If you or someone you know resides in Nassau or Suffolk County, New York and would like to take advantage of our free pre-purchase, homeowner budget or foreclosure prevention counseling call us today, toll-free at 888.354.6332

What's New at DCC

Debt Counseling Corporation is proud to announce that our knowledge and expertise in the financial industry was called upon by Jim Ribble, anchor and editor of **CNNRadio**. In November 2010, DCC's Education Director was interviewed by Jim Ribble in response to the quarterly report released by the Federal Reserve Bank of New York regarding household debt and credit. The interview will be archived and excerpts from the interview may be used in upcoming broadcasts.

Debt Counseling Corporation (DCC) is proud to announce that **Cablevision**, Long Island's leading local cable provider had selected DCC to record a Public Service Announcement (PSA). The Public Service Announcement will air between December 27, 2010 through the end of January 2011.



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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.