



THE CONSUMER ADVOCATE

SUMMER 2007

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Thank you!

Citigroup, for your generous and unwavering support that helps significantly fund our operations and educational efforts throughout the year.

Chase, for your kind funding, which will support our latest educational project, "The Key to Financial Literacy."

Are You Afraid of Identity Theft?

In recent years, the threat of identity theft has become more prominent even though reported cases are actually on the decline. According to a 2006 Javelin Strategy and Research study, the number of US victims that have had their identity stolen and used fraudulently has declined from 9.3 million in 2005 to 8.9 million in 2006. Although victimization is declining, consumers appear to be more aware of the threat and taking precautions to safeguard their personal financial information.

Reviewing your credit report is the best way to detect if someone has opened up fraudulent accounts in your name. Each person is entitled to one free copy of their credit report from each of the three credit reporting agencies (Experian, Equifax, and TransUnion) once every 12 months. Ideally, you should review your credit report at least twice a year. To receive your copy, go to www.annualcreditreport.com or call toll-free 1-877-322-8228.

If you notice any suspicious activity on your credit report, such as unauthorized accounts, immediate action must be taken to prevent further damage—this starts by contacting the credit bureaus and placing a fraud alert on your credit report. The longer a victim remains unaware that their credit is being used fraudulently, the more difficult and time consuming recovery will be. **Early detection is the key and generally results in the least amount of damage.**

As long as individuals periodically review their credit report, they are fully equipped to combat identity theft on their own, but some prefer to have a little extra security.

Credit/Identity Theft Monitoring may lower your risk of identity theft. This service monitors individual credit reports and will alert a consumer to *any* changes on their report. If a credit card is opened up in your name and it is reported to the credit bureaus, you will be notified. This continued notification will not prevent you from being a victim of identity theft, but it should help to monitor any unauthorized accounts opened in your name so you can take action.

Credit Monitoring is offered by the three credit reporting agencies directly or through a third party (i.e. bank or creditor if you use their checking account or credit card). Before enrolling in credit monitoring, be sure the service monitors all three credit reports; consumers find that information is often not reported to all three credit bureaus. Monitoring fees vary by company, but generally cost approximately \$10 to \$15 a month.

Warning* - Some services may only specialize in the detection of identity theft. Beyond the warning of possible victimization, they may not assist you in the recovery process.



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Identity Theft Insurance helps individuals that have been a victim of identity theft. The insurance does not help to detect or prevent victimization; rather it aids in the recovery (i.e. disputing fraudulent accounts on a credit report and rebuilding credit scores). Although identity theft victims are not required to repay the debt accumulated by the thief, there may be hidden costs to the victim that most policies include such as:

- Long distance phone calls
- Notary fees
- Certified mail
- Template letters for correspondence with companies
- Periodic copies of your credit report with updates

A great policy includes:

- **Attorney fees:** A consumer may be sued by a creditor for unpaid debt as a result of the identity theft. If so, a consumer may have to hire an attorney which may be reimbursed by the policy.
- **Reimbursement for lost wages** varies by the extent of damage caused by the identity theft. Many outside agencies (i.e. lenders, law enforcement) must be contacted, which only provide assistance during normal business hours. This may result in missed days of work. Some policies will reimburse time off, but have a daily and total reimbursement cap.

Insurance can be purchased from local insurance companies. If you have homeowners or renters insurance, your company may offer identity theft insurance as an add-on to your current policy for a small fee (generally \$25 to \$50). Some insurance companies include identity theft insurance as part of an original homeowners or renters policy at no charge. A separate policy is available for purchase for approximately \$60 to \$200.

There are many critics and advocates that dispute the necessity of identity theft insurance and credit monitoring, but decide for yourself. Do you think this extra protection is worth the cost?

Cost and deductibles: The most important factor is cost. For credit monitoring and identity theft insurance, is the monthly cost worth it if you are never a victim? If insurance is purchased, how high is your deductible? Will your deductible be more than your possible out-of-pocket expense? According to the Identity Theft



Resource Center, the average victim spends \$808 to assist in the recovery of identity theft although Javelin Strategy and Research reported that 62% of victims did not incur any out of pocket expenses.

Reputation: Unfortunately, some attempts at assisting consumers with identity theft protection or insurance, are actually attempts at identity theft. Be sure the company you conduct business with is reputable. Contact your state attorney general or the Better Business Bureau to learn what their clients have reported about them.

In a world where Americans want 100% satisfaction guaranteed, these programs may assist in detection and offer guidance if you are a victim, but they are not fool-proof. You should continue to protect your identity and credit on your own.

Self-motivation: Credit monitoring and identity theft insurance services may be helpful, but all services offered can be done yourself, or with the guidance of a not-for-profit organization such as DCC. In addition to not-for-profit organizations, many banks have an identity theft department to assist their clients if they believe they have been victimized.

DCC does not offer credit protection or monitoring programs, but our Certified Credit Counselors can assist you in reviewing your credit report to help determine if you have been victimized. If you are a victim of identity theft, our Counselors will guide you through the steps that need to be taken in order to report the theft and repair your credit. □

Piggybacking Your FICO Score

A recent practice has developed, which allows a person with poor credit to essentially “rent” the credit of another individual in order to improve their FICO score (the score used by lenders to determine a person’s credit risk). The practice is known as *piggybacking* and it works like this: a company will advertise on the internet that they can boost your credit score for a fee. They act as the middle-man, paying individuals with high FICO scores (usually 720 or above) to allow authorized users on their credit cards. They then sell the privilege of being an authorized user to people with poor credit. The buyer is never actually given the credit card that they are “authorized” to use—instead, it shows up as a positive mark on their credit report, because the primary cardholder is in good standing.

As an authorized user, you assume all the benefits of the cardholder’s good credit, but none of the responsibility should that person fail to make a payment. However, if the primary card holder does fail to make a payment, the authorized user’s credit will be negatively affected, adding to the uncertainty of this practice.

Parents who wish for their children to have a head start during college will often make them an authorized user in order to help them establish credit. Piggybacking works the same way, but has caused a big controversy giving lenders a false sense of someone’s actual credit risk, and many lenders are claiming it’s illegal.

Fair Isaacs Corp., the company responsible for the FICO score, is planning to no longer include authorized user accounts when calculating an individual’s credit score. According to Bankrate.com, this change should take effect in September, when Fair Isaacs unveils its newest version of credit scoring. Currently, being an authorized user on an account in good standing is factored into your credit score. After the new system, any accounts listing you as an authorized user will simply be ignored in the scoring process.

When bankrate.com interviewed Federal Trade Commission spokesman, Frank Dorman, he expressed concern regarding the piggybacking issue. Dorman stated, “If a consumer appears to be more creditworthy than they really are, they might be able to secure a loan they cannot afford.” The new change to the scoring system means it will be even more difficult to find a quick route to a higher score, thus forcing consumers to be more responsible. □

Celebrity \$ense

“Eating in will help you save money, and saving money will give you choices in life.”

- Oscar Nominated Actress, Meg Tilly

Free 411 On Your Cell Phone!



Since the invention of 411 information, directory assistance has literally been right at our fingertips. It is true that dialing “information” has made life easier, but this quick access has always come at a price—usually \$1 or more per call, depending on the provider.

However, now various companies are surfacing that allow you to dial a toll-free phone number to receive *free* directory assistance. The only catch is that you must listen to an advertisement each time you use it. Hardly an inconvenience since the benefit is *free* assistance. Don’t miss out on this opportunity to save money on those cell phone bills that may be loaded with all kinds of other fees. Call **1-800-FREE-411** any time you need directory assistance. It’s still right at your fingertips, but now it won’t cost you a thing! □

DEBT COUNSELING CORP.

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Spotlight on the Community

During the month of June, our education department spent a week with **The Urban League of Long Island**. Over a hundred senior citizens participated in a workshop given by DCC entitled "Managing Money in Your Golden Years" as part of the Senior Community Service Employment Program. The following weekend, our staff met with parents of honorees in the National Achievers Society. A workshop was offered to over forty families discussing various college savings options and government assistance opportunities.

What's New at DCC

Are you disappointed that you have been unable to attend DCC's in-house financial seminars? Thanks to a generous grant from Bank of America, we have recorded six of our most popular seminars on CD for all DCC Consumers and Clients. The CD seminar topics include:

- ◆ Identity Theft
- ◆ Understanding Credit Reports
- ◆ Saving for College
- ◆ Savings for Retirement
- ◆ Getting Married? Talk Money First
- ◆ How to Raise Financially Responsible Teens

DCC suggests completing the short quiz (included), after listening to the seminar. For each quiz returned and a score of 70% or higher is achieved, DCC will send you a check for \$5!

If you reside in the Long Island area, you are also invited to our monthly in-house seminars to take advantage of our *Educational Incentive Program*. If you attend a monthly seminar and are enrolled in our DMP, your monthly maintenance fee will be directed to a creditor of your choice in the following month, to help pay down your debt faster. Mark your calendar for our upcoming seminars.

July 24, 2007 at 12:30pm – Saving for Retirement: The time is NOW!

September 25, 2007 at 6:30pm – Saving for College 101

October 23, 2007 at 6:30pm – Don't Break the Bank this Holiday Season

Seating is limited, so reserve your seat today! Contact Jonathan at 1.888.354.6332, ext. 317.



The mission of Debt Counseling Corp. 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.

Debt Counseling Corp. is also committed to assisting the creditors with collecting consumer debt by helping avoid bankruptcy whenever possible and eliminating their financial burden.