

# ROAD MAP to FINANCIAL FREEDOM

credit<sup>.org</sup>



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# About credit.org

We are a nonprofit organization founded in 1974.

We offer personal financial education and assistance with money, credit, and debt management through educational programs and confidential counseling.



CREDIBILITY • INTEGRITY • ACHIEVEMENT

Accredited by the Council on Accreditation (COA)



Approved by the Department of Housing & Urban Development (HUD)



Member of the Better Business Bureau (BBB)



Begin a brighter financial future today.

Member of the National Foundation of Credit Counseling (NFCC)



Inland Empire Campaign Sponsor for America Saves



United Way Partner Organization

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Road Map to Financial Freedom

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Credit.org is a nonprofit consumer credit management organization formed in 1974. Our mission is simple: our people improve the lives and financial well-being of individuals and families by providing quality financial education and counseling. We are accredited by COA (the Council on Accreditation), signifying the highest standards for agency governance, fiscal integrity, counselor certification and service delivery policies.

**Our services include:**

**Financial Education Programs** – We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit. Materials for many of our workshops are available by contacting our education department or as downloads from our website, [www.credit.org](http://www.credit.org).

**Confidential Credit and Debt Counseling** – Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

**Debt Management Plans** – Debt repayment through our Debt Management Plan. If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment. \*We do not offer debt management plans in all states; please call or check our website for state availability.

**Bankruptcy Pre-petition Credit Counseling and Budget Briefing** – We provide budget and credit counseling (and a certificate of completion as mandated by the bankruptcy reform law) for those who consider filing for bankruptcy.

**Bankruptcy Pre-discharge Personal Financial Management Instructional Course** – We provide financial education and instruction (and a certificate of completion as mandated by the bankruptcy reform law) for those completing their bankruptcy discharge.

**Housing Counseling** – We are a HUD-approved comprehensive housing counseling agency. We provide homebuyer education seminars, counseling for foreclosure prevention, landlord/tenant counseling, post homebuyer education and reverse mortgages (please call ahead for reverse mortgage appointments).

*Counseling available by phone, internet, or in person*

**800.449.9818**

**[www.credit.org](http://www.credit.org)**

# Preface

## *Learning Life's Difficult Lessons*

I walk down the street.  
There is a deep hole in the sidewalk.  
I fall in.  
I am lost... I am hopeless.  
It isn't my fault.  
It takes forever to find a way out!

I walk down the same street.  
There is a deep hole in the sidewalk.  
I pretend I don't see it.  
I fall in again.  
I can't believe I'm in the same place.  
But, it isn't my fault.  
It still takes a long time to get out.

I walk down the same street.  
There is a deep hole in the sidewalk.  
I see it is there.  
I still fall in... it's a habit.  
My eyes are open.  
I know where I am. It is my fault.  
I get out immediately.

I walk down the same street.  
There is a deep hole in the sidewalk.  
I walk around it.

I walk down another street.

# The Counseling Session

When you contact credit.org for counseling, our certified credit and debt counselors go through your finances and budget and recommend a course of action. Some of those who come to us for counseling have a financial situation that may require that we refer them to a legal service to determine if bankruptcy is right for them.

Most clients are helped enough by the counseling, budgeting assistance, educational resources and referral resources provided by their credit and debt counselor, the client leaves with the tools necessary to handle their own finances and manage their debt.

In the counseling session, we may determine that the client falls just short of being able to manage their debt. Often this is due to excessive credit card and unsecured debt. Our Debt Management Plan (DMP) is a good way to reduce those payments, however, the DMP is only part of the solution. The DMP combined with credit.org's in-depth budgeting assistance, recommendations, educational resources and referrals to community social services along with counseling follow up allow consumers to regain control of their financial future.

This booklet is designed to help our clients make the most of their Debt Management Plan; we want everyone to successfully conquer their debt, and we're here to provide whatever help is necessary to make that happen.

Our credit and debt counselors cover a lot of information in the initial counseling session. It can be hard to sort it all out. Often clients have questions that come up after they've completed their session. The Road Map to Financial Freedom seminar and booklet are designed to answer those questions and expand upon the counseling services received during their initial session.

Credit.org provides counseling follow up, a regular newsletter, educational materials, ongoing educational seminars, social service and community referral resources, and other financial awareness tips.



# The Debt Management Plan

The Debt Management Plan is just a small part of the services credit.org offers. We start with free counseling, budget assistance, education, and we refer clients to appropriate community social service organizations to provide the most comprehensive assistance possible. For a small portion of our clients, the DMP is the best tool to help clients resolve their financial difficulties. We only recommend a DMP when it is the best possible option, so DMP clients can rest assured that they are enrolled in the right plan.

The DMP alone is not the answer. The DMP works in conjunction with a realistic spending that focuses first on the essential expenses, counseling follow up on your progress with budgeting, and our free educational resources. Additionally we refer to social service, community resources, and other tools.

Credit.org's DMP is a three-way partnership between you, your creditors, and us. We do not take an "us vs. them" attitude; your success depends upon cooperation from your creditors. Without the concessions they offer in the form of reduced interest, lower fees, etc... every DMP would be doomed from the start.

We encourage communication among the three partners in the DMP as a key toward successful completion. Everyone has the same goal: to see you resolve your debt, meet your financial goals, and avoid bankruptcy.

If everyone cooperates and does their part, everybody benefits. Clients see reduced monthly payments and have an action plan to gain control of their financial situation as well as achieve their goals. Creditors have fewer bankruptcies and collect debts that might otherwise have to be charged off. Credit.org fulfills our mission to promote financial awareness education and service to the community.

## Debt Management Plan Basics

A debt management plan (DMP) is a repayment plan for unsecured debt. The goal of a DMP is to pay off eligible debt entirely within three to five years. Unlike a debt consolidation loan, a DMP allows participants to pay off debt without taking on more loans or credit to accomplish the payoff. It is not intended for people who are simply looking to receive lower interest rates from their creditors; it is designed for those who are having trouble paying their obligations and need assistance in doing so.

### What kinds of debts are eligible?

Unsecured debt such as credit cards and medical debt can be included in a debt management plan. Typically not included is installment or secured debt, such as mortgages, home equity, auto, and student loans.

### What if my debt has gone to a collection agency?

We can generally work with collection agencies to include unsecured debt in a debt management plan, as long as the debt has not gone to wage garnishment after a judgment.

### Do all of my credit cards need to go on the plan, even if I don't have a balance?

At a minimum, all accounts will need to be closed, and any accounts with balances will need to be included in the debt management plan.

### Can I obtain new credit or use existing credit while on the debt management plan?

All the accounts included in your plan will be closed, and you will be asked not to take on new credit while paying off your debts. Perhaps one of the most valuable lessons participants learn as part of their plan is how to meet their obligations without using credit, and building those good habits while on the DMP can help you prepare for the day when you do use credit again.

# The DMP: Our Part

## WHAT WE CAN DO

As one-third of the partnership committed to helping consumers like you avoid bankruptcy and achieve financial freedom, credit.org agrees to do our part to make every DMP a successful one.

### **We make every effort to help you develop a workable budget.**

A considerable portion of the counseling session itself is devoted to budgeting. We also require the Power of Paycheck Planning seminar for all of our clients, and we make that material readily available by providing our clients with this seminar either in-person, via email, via our website, or by hardcopy workbook.

### **We act as a liaison between client and creditor, assisting both with questions and concerns.**

If you receive calls from your creditors, simply give them our creditor services number: 951.781.0114. We receive calls from creditors every day; many of them check with us before contacting the client directly. If you have a question or concern with a payment, contact us and we'll call the creditor on your behalf.

### **We keep accurate records of monthly payments received by us, distribute client funds to creditors as agreed, and supply clients with a monthly progress report.**

Our database is always available to verify your payments to your creditors. We'll send a progress report to you each month showing your payment and what was sent to each creditor the previous activity cycle, as well as the estimated current balance owed to each creditor. Sometimes, the balances on your statements from the credit card companies will not match those on our progress report; in those cases, send your statements to us as soon as possible so we can update your balances.

### **We provide seminars on budgeting and related financial topics.**

Our seminars, Road Map to Financial Freedom and Power of Paycheck Planning, are always open to the public and free of charge. Many clients come back to those seminars repeatedly to have questions answered or to get a refresher course in budgeting. The materials for these are available to download for free at [www.credit.org](http://www.credit.org) (our website) or via U.S. mail for those outside our local area or who may be unable to attend in person. We also regularly provide other seminars and these are also available to download for free at [www.credit.org](http://www.credit.org) or via U.S. mail.



# The DMP: Our Part

## WHAT WE CAN DO

### **We distribute a regular newsletter of useful information to clients.**

Our client newsletter goes out quarterly; it contains helpful tips on budgeting, money management, and wise spending articles. Also, check our website at [www.credit.org](http://www.credit.org) for a copy of our newsletter and more educational resources and tools.

### **Our housing counselors assist with foreclosure prevention.**

Our agency is certified by the Housing and Urban Development Department as a comprehensive housing counseling agency. Our counselors are available to help all consumers with their housing finances. Just like we work to help consumers with unsecured debt avoid a financial crisis, we work to help homeowners avoid foreclosure and renters avoid eviction.



### **We provide help & support throughout your debt management plan.**

We're always just a phone call away, at 1.800.947.3752. We can arrange for a new counseling session if your circumstances change and we encourage reviews of your progress on the plan. Again, open communication is the key to a successful DMP. There are almost no questions or concerns we cannot deal with if you make us aware of them.

### **We issue a letter of completion when a client completes the Debt Management Plan and becomes a “graduate”.**

This crucial final step in the DMP is why it's always a good idea to complete payment through Credit.org even if you are able to pay off your debt early. Won the lottery? Sold your home? Call us and we'll help you pay off your debt in one lump payment. As long as you repay the debt through us, we can provide you with a letter of completion. Our letter of completion will help you re-establish your credit and apply all the lessons you've learned while with our program.

# The DMP: Our Part

## WHAT WE CANNOT DO

**We cannot make a creditor accept payment or a particular payment amount.**

Most creditors nationwide know who we are and how we work. Virtually every creditor will accept payment from us on your behalf. But in those rare instances where they will not, we cannot force them to do so.

**We cannot make a creditor stop legal action.**

If you are being sued, we cannot force a creditor to stop the lawsuit. In many cases, however, creditors will voluntarily halt legal action if they are receiving regular payments through our plan.

**We cannot make any creditor stop or reduce interest or other charges.**

Again, virtually every creditor will voluntarily offer some concessions to clients on a DMP; they have an interest in being repaid. But in those instances where creditors refuse to waive fees or reduce interest, we cannot make them do so. Any concessions offered usually will not be applied until after your third consecutive DMP payment.

**We cannot make creditors stop calling.**

In many cases, calls will continue until the creditor receives three consecutive monthly payments made through the DMP. After the third or fourth payment, creditor calls should stop. If you have made your fourth payment and are still receiving calls, contact us and we can help.



# The DMP: Creditor's Part

As we've stated, creditors are overwhelmingly inclined to cooperate with us because they have an interest in being repaid the money they are owed. Creditors know us by reputation and through over 40 years of cooperating with us to see clients avoid bankruptcy and achieve financial freedom.

For their part in the three-way partnership, creditors agree to:

## **Accept payments through us.**

Creditors are receiving payments from us daily through EFT (Electronic funds transfer) and by check via U.S. mail. We are able to disburse funds for multiple clients on one check, which makes processing payments easier and more efficient for the creditor. It is extremely rare that a creditor will refuse to accept payments from us; even if they do not offer concessions, they still have an interest in getting paid.

## **Stop calling while full, regular payments are being made.**

As we've said, creditors' calls should stop after three consecutive monthly DMP payments. Creditors want to see that you are committed to going through with the debt management plan before they halt collection calls and offer concessions.

## **Update credit report either during the repayment program or upon full payment of the debt.**

When you satisfy your debt through our DMP, it is recorded as paid in full on your credit report. Some creditors will wait until you've completed the plan to update your credit report, some will bring your account current and indicate that you are making regular payments. Many creditors indicate that you are participating in a Debt Management Plan on your credit report.

## **Grant Concessions to our clients.**

Interest charges are reduced or waived by many creditors; late or over-limit fees are waived by some creditors and they often discontinue collection activities as long as full regular payments are made. Every creditor is unique in what they offer, but most creditors will make concessions that allow the client to successfully complete the DMP.



*All creditors are treated equally on a DMP. That is one reason they agree to participate.*

# How Will a Debt Management Plan Affect My Credit History?

You may be told by the uninformed that it is looked upon negatively and that your hopes of receiving a home or a car loan will greatly diminish. This is certainly not true.

- The lending environment has changed and the market understands that it must create an environment that meets the need of individuals who are willing to pay their debts, even though the level of debt may be great.
- Though the option of bankruptcy seems tempting and easy in the short run, the result is devastating in the long run.
- With bankruptcy, your credit report will most definitely be destroyed for many years after you file. It is possible for you to obtain a loan after bankruptcy, but you will in turn pay much higher interest rates.
- Our Debt Management Plan offers you the ability to resolve your debt, put you in control of your finances, educate yourself with managing debt and also feel good about yourself, ultimately translating into personal richness.

The Debt Management Plan is a voluntary program. Creditor participation is a voluntary basis. We work with the client and creditor to develop a win-win situation for both parties.

When you agree to participate in the DMP, you are signing just that: an agreement. There are no contracts involved, just a voluntary agreement to complete the program.

Likewise, your creditors voluntarily offer to lower interest rates and fees, and to provide fair share funding to help our agency achieve everyone's goals.



# The DMP: Your Part

The final part of the three-way partnership that makes the DMP possible is you. Credit.org and credit grantors across the country have been helping clients for decades; you can join the long list of successful DMP graduates, but there are some things that will be expected of you:

## **Take advantage of the free educational resources we offer.**

The material you're holding now, the Road Map to Financial Freedom, is designed to help DMP clients achieve the best results. Our other seminars, including The Power of Paycheck Planning, are designed to help any consumer create a workable budget. We also offer free public seminars on the following subjects:

- First Time Homebuyer
- The Wise Use of Credit
- Understanding Your Credit Score
- Couples and Money
- Surviving the Holidays
- Predatory Lending
- How Am I Going to Pay My Bills
- Deals for Wheels



*Seminars are also available online as webinars. Check out [credit.org/events](https://credit.org/events) for more information.*

## **Commit to a repayment plan and follow through by making full regular monthly payments.**

You are not under any legal contract or obligation, but we urge you to honor your agreement with Credit.org and make your payments on time and in full each month. It won't always be easy, particularly at first, but once you've passed the initial 90 day threshold, life on the DMP gets dramatically easier and remember, you can call us any time.

## **Do not acquire new lines of credit while on the repayment program or use other existing unsecured credit.**

This is a must. Together, we ask your creditors to extend concessions to you based on your commitment to repaying your debts in a set time limit. If your creditors discover that you have acquired new credit while on the DMP, they will drop you from the plan and reinstate the fees and interest charges you had before the DMP.

## **Monitor all creditor statements and make us aware of any specific problems or significant balance differences.**

This point cannot be stressed strongly enough. Call us as soon as you spot a problem with any of your creditor statements. Credit card companies are large, fast-moving organizations; it is difficult and time consuming for them to go back months or weeks in their records and reverse late charges or correct old errors.

The key to the success of your DMP is your active participation in this partnership! Be alert to any issues that might appear, and contact your creditor to ask for an explanation. If you are unable to resolve the issue, please call 1.800.947.3752 to let us know of your concern. The sooner we know of a concern, the sooner we can help resolve it.

## **Contact us if your income increases/decreases or if you are in a financial emergency.**

We can help you through most situations if you let us know what is going on. If you want to increase your payments, just give us a call. If you need to decrease them, call us and we'll schedule a new counseling session. During this session we will review your current income, expenses and discuss your current financial situation as well as explore any resource available to you. We'll note your circumstances so we can convey them if your creditors call us.

## **We ask creditors not to call you if you are meeting the terms of your debt management plan agreement.**

***If you make a partial payment, or miss a payment altogether, your creditor may contact us. They may think you are not taking the DMP seriously if we do not know why you have not made a full payment on time.***

# Potential Potholes

- **Overlapping due dates:**

If you have a creditor who is charging late fees because your payment through us comes to them after your creditor's due date—call the creditor and let them know you want to change their due date (at least 7 days after your due date to credit.org). If you are having a problem getting a creditor to agree to a change of due date, let us know.

- **Unexpected expenses or reduced income:**

Contact us if your income level decreases or a financial emergency develops.

- **Late payments:**

Try to make all payments to us by your credit.org due date. If you do happen to make a payment late, it will in effect be sent late to your creditors. If you happen to make a payment early to credit.org, we will secure and hold those funds until it is scheduled to be sent as your regularly scheduled payment. If you have extra funds you would like to allocate toward your DMP, please send a note specifying that you are sending these extra funds payable outside your regular DMP payment.

- **Missed payments:**

Always let us know as early as possible if and why you may have to miss a payment. Many creditors view anything less than a full DMP payment as a missed payment. This can adversely affect your status with the creditors. Your creditors will want you to make up the money that was not sent to them. Many creditors restart late fees unless you make up the missed payment, and will continue charging them for up to a year before re-aging the account again.

- **Improperly credited payments:**

You are the only one who gets your statements from creditors. If a payment is not posted for the correct amount, or it is not reflected on your statement (and you know the payment should arrive before the statement cut-off date) please let us know. We can help resolve an improperly credited payment, but the longer you wait to inform us of a problem, the more difficult it is to get it corrected.



# Your Journey With Us

- A budget and repayment plan is developed with your financial credit and debt counselor.
- We provide free educational materials and advice to help you. If (and only if) your situation warrants it, we recommend enrollment in a debt management plan.
- We enter the details of your repayment plan (by creditor and payment amount) into our computer system.
- We send payment proposals to each of your creditors on a personalized basis according to your DMP. By sending proposals to your creditors, followed closely by your regularly scheduled payment, we can optimize the acceptance of those proposals.
- In response, your creditors will inform credit.org, or in some cases you directly, whether they accept the proposal as is, request a change, or decline it. We inform you of any necessary changes. Our proposal is based on the information you provided during your initial counseling session. The more accurate and current that information, the less likely it is a creditor will reject it.
- The standard method of payment is through our Automated Payment Service (APS). With APS, clients have the amount of their payment automatically withdrawn directly from their checking or savings account. This method of payment ensures consistent monthly payments.
- We distribute your funds once a month to your creditors according to the specific details of your repayment plan. Again, it is important to make your payments consistently and by your due date.
- Funds received from our clients are disbursed every day by EFT, so creditors receive payments right away.
- We send you a monthly progress report showing your account activity for the prior activity cycle.
- You let us know promptly if there are any significant differences in the information on your statement from us, and your creditor's statements. Send us your creditor statements every four to six months so we can update your balances on our system.
- When a creditor is near payoff, we will notify you in writing. Please be sure to verify your remaining balance with your creditor. Let us know right away if the amount you owe is different from the amount we indicate in our letter to you. Once paid off, that creditor payment will be equitably distributed to your remaining creditors.
- Your minimum monthly payment remains the same throughout the program. This is built into the structure of your DMP. If your DMP is designed to take 48 months to resolve your debt, it will only do so if the payment amount remains the same. Some clients will need to reduce their monthly payment, due to unforeseen financial hardship, when individual creditors are paid off. In these cases, the amount of time the DMP will take to be paid off will increase.
- Throughout the life of your plan, we are here to offer advice and assistance. If you have any problems or questions please let us know right away, as it's usually easier to solve problems early on.
- When all accounts are paid off, we'll send you a "letter of successful completion" of your debt management plan.

# Your Journey With Us

Your successful completion through the Debt Management Plan is key as it will enable you to re-establish credit after you have repaid your debts through credit.org.

Rarely does a credit.org graduate have trouble re-establishing credit if they have stable income. Our plan and educational resources have helped thousands of graduates purchase homes, automobiles, and other credit needs that their income and circumstances will support.

## Keys To Success On The Debt Management Plan

- Relax
- Take one day at a time
- Focus on the bigger picture
- Complete “the Power of Paycheck Planning” and other seminars
- Order your credit report in the first 6-12 months of your program
- If you need anything, don’t hesitate to call us
- Don’t quit



# Contacting Us

We're always available to answer your questions and address your concerns.

Call us at 1.800.947.3752

Our fax number is 951.781.1003

You can also find us on the internet at [www.credit.org](http://www.credit.org).

Email us at [education@credit.org](mailto:education@credit.org) with any questions you may have.



## **Credit.org is helping in many ways:**

As the credit industry evolves and changes, we must grow and evolve as well. When new laws are passed that have an impact on consumers, we make it a priority to be ahead of the curve in providing nonprofit financial services to all consumers. Here are some of the services we offer to consumers:

### **Housing Help**

Our certified housing counselors can help to avoid foreclosure, provide homebuyer certificate education, rental counseling, and reverse mortgage education.

### **First Time Homebuyer Seminars**

An in-depth workshop designed to help you make better choices and decisions when buying your home. Approved by HUD, Freddie Mac & Fannie Mae. To inquire further contact us at 1.800.947.3752 to RSVP and for class location.

### **Student Loan Counseling**

At [studentdebt.org](http://studentdebt.org), we help individuals with student loan debt find the right repayment solution. Our advisors will evaluate each person's situation and will walk them through the process step-by-step. No obligation, just trustworthy and impartial advice.

### **Educational Programs**

If you can't attend in person, check our website for free downloads of our most popular subjects. You can also call us, or e-mail at [education@credit.org](mailto:education@credit.org) to request free materials.

# Glossary

Here you'll find some useful terms gathered in one place and defined.

**Annual Fee** • The bank charge for use of the card levied each year, which can range from \$15 to \$300, billed directly to the customer's monthly statement.

**Annual Percentage Rate (APR)** • The cost of credit on a yearly basis, expressed as a percentage rather than a dollar amount. Creditors are required by law to disclose the APR.

**Automated Payment Service (APS)** • A system that allows Credit.org clients to have their DMP payment automatically withdrawn directly from their checking or savings account. This is our preferred method of payment, as it ensures consistent monthly payments.

**Balance Transfer Fees** • The fee charged customers for transferring an outstanding balance from one credit card to another. Many card issues offer "teaser" rates to encourage balance transfers.

**Bankruptcy** • A legal proceeding that can legally release a person from repaying debts.

**Budget** • A detailed written record of income earned and spending plan for a specific time period.

**Charge Off** • A debt that has been written off by the creditor as uncollectible; the debt remains valid and subject to collection.

**Collection** • A creditor's attempt to recover a past-due payment by turning the account over to a collection department or company. Having a debt in collection is a serious negative item on a credit report.

**Concessions** • Some creditors agree to lower interest rates and eliminate fees for DMP clients. Most creditors will also agree to a smaller minimum monthly payment, making it possible for those on a DMP to make ends meet.

**Credit Bureau** • A credit reporting agency that gathers information on the credit rating of individuals or firms. Often called a "credit repository" or a "consumer reporting agency." The three largest credit bureaus in the U.S. are Equifax, Experian and TransUnion.

**Credit Counseling Service (CCCS)** • An organization that provides personal financial education to consumers and helps people in debt create workable budgets and pay off their debts. Credit.org was founded in 1974 as CCCS of the Inland Empire.

**Credit History** • A record of an individual's use of credit over time.

**Credit Report** • The document of a consumer's credit history, including a record of current and past debts and the timeliness of their repayment.

**Debt Management Plan (DMP)** • A repayment plan that helps consumers pay off their debts over a set period of time with consolidated payments, often with reduced monthly payments, interest rates, and fees.

**Debt-to-Income Ratio** • A comparison of gross income to expenses.

**Default Purchase Rate** • If you default on your account, your card issuer may sell your debt to a collection agency or other company. That could make you responsible for a different and higher rate.

**Electronic Funds Transfer (EFT)** • Credit.org delivers client payments to creditor via EFT, ensuring that our payments are processed immediately. When clients use our Automated Payment Service (APS), the entire process is automated, allowing for fewer mistakes and much faster delivery of payments.

**Fair Debt Collection Practices Act (FDCPA)** • A federal law that limits what collection agents can do when attempting to collect a debt. Applies only to 3rd party debt collectors, not the original creditor, though many states have laws that enforce FDCPA regulations on original creditors. If you have Internet access, Google search “FDCPA” for more information.

**Fair Share** • One of the ways non-profit credit counseling agencies receive funding. Fair share contributions are a voluntary donation from creditors who participate in the debt management plan. The funding is often calculated as a percentage of clients’ monthly payment. However, your accounts with your creditors will always be credited with 100% of the amount you pay us and we will work with all your creditors regardless of whether they contribute to our agency. We prefer accepting fair share contributions from creditors to charging higher fees to our clients.

**FICO® Score** • A credit score, ranging from 300-850, devised by FICO™, which lenders use to determine whether they will extend credit to a consumer and at what interest rates.

**Finance Charge** • The charge for using the card comprised of interest costs and other fees. The finance charge can be calculated with the following formula: Average daily balance x Daily periodic rate x number of days in billing cycle.

**Grace Period** • A time period during which a borrower can pay the full balance of credit due and not incur any finance charges. Some creditors have in their terms and conditions no grace period and the finance charges are based on how many days the account carried a balance before being paid off. There is typically no grace period on cash transactions such as cash advances, balance transfers and the fees associated with the cash transaction.

**Hard Inquiry** • An item on an individual’s credit report that indicates that someone has requested a copy of the report. Hard inquiries are requests that result from an application for credit, such as a mortgage, car loan, credit card or rental application. These inquiries affect an individual’s credit score.

**Insurance/Protection** • Protection against loss of life, disability, unemployment, etc. for the cardholder. This coverage pays or cancels the monthly payments for a time period if the cardholder loses a job through not fault of his own. Policies and protection plans vary, and the monthly fee is usually based on the amount of the credit card balance.

**Investigative Consumer Reports** • Consumer reports that are usually requested for background checks or security clearances. An investigative consumer report usually contains information obtained from a credit report, but it is more comprehensive than a credit report. It contains subjective material on an individual’s character, habits and mode of living, which is obtained through interviews of associates.

**Judgment** • A court order placing a lien on a debtor’s property as security for a debt owed to a creditor.

**Late Fee** • The fee charged customers for paying late or less than the required minimum payment due by the due date.

**Nonprofit** • A business organization that serves as a public benefit organization, is legally constituted to serve a public purpose and whose objective is to support or engage in activities of public benefit.

**Open Debts** • Also known as open lines of credit, or “charge cards”, these debts are due in full at the end of each month; the most common open credit line is the traditional American Express card.

**Opt Out** • A consumer’s ability to notify credit reporting agencies, direct marketers and list compilers to remove their name mailing lists. To opt out of prescreened credit offer lists, call 1-888-5OPTOUT (1-888-567-8688).

**Overlimit Fee** • The fee charged customers for going over their credit line. Under the Credit CARD Act of 2009, consumers must “opt in” to be able to go over their credit limit and incur a fee.

**Personal Statement** (also called a “1200 Word” statement) • Consumers may write a general explanation about the information on their credit reports and have it added to the report. The statement lasts for two years and is presented to anyone who reviews the credit report.

**Rate shopping** • Applying for credit with several lenders to find the best interest rate, usually for a mortgage or a car loan. If done within a short period of time, it should have little impact on a person’s credit score.

**Reward Program Fee** • The fee charged customers to be enrolled in a rewards program. Some creditors do not charge a fee.

**Secured Loan** • A loan that is backed by collateral, such as an auto loan or a loan that finances the purchase of some appliances or furniture.

**Security Freeze** • A temporary hold on one’s credit report, preventing new credit grantors from seeing it until the freeze is released. Court orders, child support enforcement, and companies with which the consumer already has a credit relationship are not subjected to the freeze.

**Soft Inquiry** • An item on a credit report that indicates that someone has asked for a copy of the report. Soft inquiries include requests from current creditors to review the file, prospective creditors who want to send out a pre-approved credit card offer, or an individual’s review of his or her own file. Soft inquiries are not included when determining an individual’s credit score.

**Tax Lien** • A claim against property, or assets, filed by the taxing authority for unpaid taxes.

**Tradeline** • An entry by a creditor to a consumer’s credit report, describing the consumer’s account status and activity. A tradeline includes names of companies with which the consumer has accounts, dates accounts were opened, credit limits, types of accounts, balances owed and payment histories.

**Transaction Fees** • Fees for various transactions, such as using your card for cash advances.

**Universal Default Rate** • Was a policy, banned by the Credit CARD Act of 2009, that some lenders/creditors used to punish borrowers who paid any creditor late. It was most commonly used by credit card companies and revealed in the fine print of their contracts with consumers.

**Unsecured Loan** • A loan that is not backed by collateral; it is guaranteed only by the borrower’s promise to repay.

# More Resources

Visit [credit.org](http://credit.org)'s FIT Academy at [www.credit.org/blog](http://www.credit.org/blog) to find free online courses, expert advice, personal finance and budgeting calculators, and ebooks on a range of personal finance subjects:



## Consumer Guide to Good Credit

Good credit is indeed crucial to financial health. Because credit reports frequently contain errors, we must all check our credit reports regularly and ensure that they are accurate and up to date. This guide will teach you how to do that.



## The Power of Paycheck Planning

Learn time-tested strategies to budget, manage and prioritize your paycheck and learn how to take control of your finances by learning to budget your paycheck – before you spend it.



## Preserving Homeownership/ Foreclosure Prevention

This guide will show you what options are available if your mortgage becomes delinquent, you are facing foreclosure, or you are facing a mortgage interest reset which you can no longer afford.



## The Wise Use of Credit

You have a creditor need to establish credit – now what? Managing your credit responsibly helps build a solid foundation for your financial future.



## Road Map to Financial Freedom

This guide helps you take the first steps on your journey to financial freedom with Credit.org through the use of a Debt Management Plan to consolidate and pay back unsecured debt.



## Identity Theft Prevention

Learn what to do to protect yourself from identity thieves, and what steps to take to restore your good standing if you are a victim of identity theft.



## Raising a Money-Smart Child

A parent's guide to providing children with the necessary basic financial skills as early as possible. It's never too early to develop good saving and spending habits!



## Predatory Lending

Don't be a victim! Protect your equity, know your rights, and avoid dishonest lenders.



## Understanding Your Credit Reports and Scores

Understand what information is contained in your credit report and how it affects your life. Also learn how your credit scores are calculated.



## Deals for Wheels

Get the information you'll need to make a sound decision about buying or leasing a car, and find out how to get a great deal on your next set of wheels.



## Couples & Money

This seminar helps couples communicate about money matters, offers money and budget saving tips, and helps couples develop a spending plan for their future goals.



## Surviving the Holidays

Learn to prepare for costs associated with the holidays, manage your holiday spending, and begin your New Year without holiday debt.





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