

# CLIENT TELL

## FTC INSTITUTES DEBT SETTLEMENT ABUSE REGS

We've all seen the ads on tv that promise financially struggling consumers that they can be debt free in just a few months or after paying only pennies on the amount they owe. These spots are generally aired by debt settlement companies, some of whom currently charge large upfront fees that must be paid before any payment to clients' creditors are made. But on October 27, a new Federal Trade Commission regulation will help stop these companies from charging for services before they actually do their job.

Debt settlement is NOT the same as credit counseling. Do you know the difference? Debt settlement, which is sometimes called debt negotiation or arbitration, is a process under which creditors agree to accept less than the full amount owed, yet consider the balance paid.

Most of the firms that negotiate debt settlements are for-profit businesses. The unscrupulous ones routinely advertise that they can negotiate reductions of 50 percent or more on the debt consumers owe. While this scenario sounds tempting, it often isn't true, and uninformed clients who request these services may end up in much worse financial trouble than they were before.

Nina Heck, Director of Counseling at CCCS of MD & DE, notes: "Most clients who call us don't understand the difference between debt settlement and credit counseling. But those who've already been in debt settlement may have some idea given the grim financial realities they now face. They often call us confused and in tears, having just received a letter that says they're being sued by a creditor.

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## FREE SITES TO HELP YOU SAVE

**Insure.com** - Instantly get online quotes from more than 200 trusted insurers. Customize needs and enter any relevant pre-existing condition to get accurate quotes — without divulging personal information.

**Freecycle.org** - Check your location and see if anyone is giving away something you need or vice versa.

**CouponMom.com** - This site has printable grocery and restaurant coupons, free offers and samples, and a daily roundup of the best coupons on the blog.

**Gazelle.com** - Sell your old or unwanted electronics for cash. Gazelle will buy your cell phones, digital cameras, and other gadgets for a fair price.

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FROM THE PRESIDENT  
Jim Godfrey

Clients who enroll in CCCS of MD & DE's debt management program (DMP) are to be commended. They have chosen to be responsible citizens, paying off the debts that they owe despite the restraint and self sacrifice that this may require. By doing so, they set an inspiring example for their families, and they show a true strength of character that makes it an honor to serve them. We are pleased and proud when they pay off their last creditor and become debt free.

Because our clients work so hard to meet their financial obligations, we strive to give them the knowledge and support they need — not just for now, but for the future as well. We (Continued on Page 3)

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## IN HER OWN WORDS: JANICE'S STORY

### *What lead you to seek help from CCCS?*

When we moved to Timonium, we were already carrying some debt, but it was not crippling. We found that our new home required many repairs, including appliances, plumbing, and roofing issues. Admittedly, some of these could have waited. But ours is not a culture of planning, waiting, and saving. Instead, we are compelled to purchase what we want NOW, and to purchase beyond what we truly need.

We had several charge accounts with small payment requirements. After paying steadily on them for a few years, we were shocked to learn that we were making no progress whatsoever. Instead, the balances just seemed to rise month after month. We were scared, and realized that we were "in over our heads". We wanted to repay what we owed. We also wanted to pay down the debt and protect our credit rating. Both of these objectives were in jeopardy!

### *Describe your counseling session.*

The counseling appointment took place in an office. The counselor was so knowledgeable, as if she'd heard our story so many times before. I'm sure she had! What was so wonderful is that we were given reassurance that we could survive after all. Before the visit, we had grown very depressed over our debt situation. It permeated everything we did, and our family was emotionally strained. The counselor gave us hope!

Our counselor was not judgmental, just brutally frank. We discussed our budget and decided to eliminate expenditures that were unnecessary. Once a manageable monthly payment was agreed upon, we officially started the program. We were delighted – we knew we'd be held accountable and that this discipline would save us. It saved our marriage, I am sure!

### *What was it like while you were in the DMP? What were the greatest benefits and the greatest challenges?*

Anytime I called CCCS, I was met with someone willing to provide advice and direction. Eventually, I was able to propose ideas of my own, and the CCCS staff would tell me if they actually made sense. I learned so much. I really needed to, since I'd learned nothing whatsoever about financial management as a child and young adult.

The biggest challenge was the early period, when our mindset had to change. Making the agreement was one thing, but living it out daily was quite another. The discipline to purchase items only when cash was available was difficult. We had many family arguments over what to spend and when!

### *How has this experience changed the way you view money?*

My family knows what it's like to save for something and to be delighted to finally purchase it. It is delayed gratification, directly against the grain of our "like it? charge it!" society. We understand that our finances are a stewardship issue. What we have been given we are accountable to use wisely.

## TOO COOL FOR SCHOOL — COLLEGE STUDENTS & CREDIT

For years, credit card companies have heavily marketed college students. But now that the Federal Credit Card Accountability, Responsibility, and Disclosure Act is in place, this may no longer be the case. Here's why:

- College students under the age of 21 cannot get a credit card unless they can verify they have the income to support their debt OR their parents co-sign for the credit card account.
- Credit card companies no longer can give tangible gifts to college students in exchange for completing credit card applications.
- Colleges must disclose all marketing contracts with credit card issuers.

If you have young adults in your family, it's wise to talk with them now about how credit cards works.

- Help them understand the difference between using cash, debit cards, and credit.
- Help them understand WHY it's important to pay on time and make more than a minimum payment on credit card accounts.
- Explain how their personal credit rating may affect their ability to get a loan, buy a car, or even get a job.

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They don't know what to do. They paid a large upfront fee and the company has been taking monthly auto-debits out of their bank account, and yet they are still no closer to being out of debt. In some cases, the debt settlement firm has pocketed their money without contacting their creditors."

In the past few years, the debt settlement industry has grown substantially without much oversight. The Better Business Bureau has received more than 3,500 debt settlement complaints since the recession started. In Maryland alone, 129 complaints were reported last year — four times more than were lodged the year before.

According to Steve Sakamoto-Wengel, Asst AG / Deputy Chief of the Consumer Protection Division, Office of the Attorney General, persons who made these reports complained of "high fees, debts that were never settled, continued harassment and lawsuits by creditors, and the inability to get help or refunds from debt settlers."

Under the new FTC rules, a debt settlement company cannot charge fees until they reach a settlement on at least one debt that the consumer has agreed to in writing. Fees cannot be collected until the client has made at least one payment to a creditor as part of the negotiated settlement. The rules also require that debt settlement companies

provide a pre-contract disclosure that explains how long it will take to get results and how much the settlement will cost.

As we all know, serious money management problems may lead to denial and desperation. It pays to get help as early as possible and to make sure that an organization is reputable before committing to its program.

If you know friends, family members or coworkers who are currently behind on bills or facing foreclosure, offer them the benefit of your experience. If you refer them to CCCS of MD & DE, we will do everything we can to help them gain financial freedom and vital personal finance skills.

constantly look for ways to improve the program while they're in it and to provide skills-building resources to help them keep **their** hard-won financial security once they complete their DMPs. Here are two services we provide to lend encouragement, awareness, and support:

**CCCS Website:** The CCCS website ([cccs-inc.org](http://cccs-inc.org)) allows clients to make monthly DMP payments online and to check the status of their accounts. We also have posted a great deal of information that may help you become more financially aware. Our Financial Tools page includes an interactive budget form and survival tips on spending and saving. The Resources section includes educational videos, helpful links, and electronic copies of the *Client Tell* newsletter. In the coming months, we plan to develop a CCCS of MD & DE Facebook page that will allow us to communicate more effectively with everyone. We hope that those of you who belong to Facebook will become active CCCS fans.

**Phone Follow Up:** If you get behind on DMP payments or leave the program, we may contact you to offer assistance and gather feedback. If you receive a phone message from CCCS, please call us back immediately. We want to help you keep your creditor concessions. We also want to know what changes we need to make to improve our services. If you have questions or need advice, please call us at 1-800-571-2227. We will do everything we can to help you resolve your issue.

### Ask a Counselor

**Q:** What will happen if my monthly DMP payment is late?

**A:** If your payment arrives late, you could lose the concessions that creditors have granted and your account will show “past due.” Please remember that your creditors expect to receive payments by their due date.

Have you reviewed your creditor statements to see what date payments are due? If the due dates on statements are less than 10 days from the date your payment is due to CCCS, please call the creditor to change the date. If you need assistance with this, please call us at **1-800-571-2227**. We are happy to help!

### ADVICE & RESOURCES

**Practice Makes Perfect:** Whether you make your monthly DMP payment online, use ACH EASY PAY or a money order, always pay on time and in full. If you use a money order, please fill in all the required information. Legibly print **CCCS of MD & DE** in the “Pay to Order Of” blank. List your address and phone number under your signature and put your client number in the corner of the money order. Sign the money order and send or drop it to us with the top part of your statement. Keep your money order receipt for future reference. Also mail us copies of your creditor statements each quarter, so that we can update your accounts.

**FTC Launches Financial Literacy Website:** The Federal Trade Commission has recently set up “Money Matters,” a consumer protection website that focuses on current personal finance issues. Located at **www.ftc.gov/moneymatters**, the site provides up-to-date information for people who are dealing with debt, struggling to find a job or keep their home, or just trying to create a budget, save, and spend wisely. To learn more, check it out!

### Our Mission

*To promote economic self-sufficiency to individuals, families and communities through financial education and counseling.*

Helping People Help Themselves Through Education,  
Financial Counseling & Debt Repayment.

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