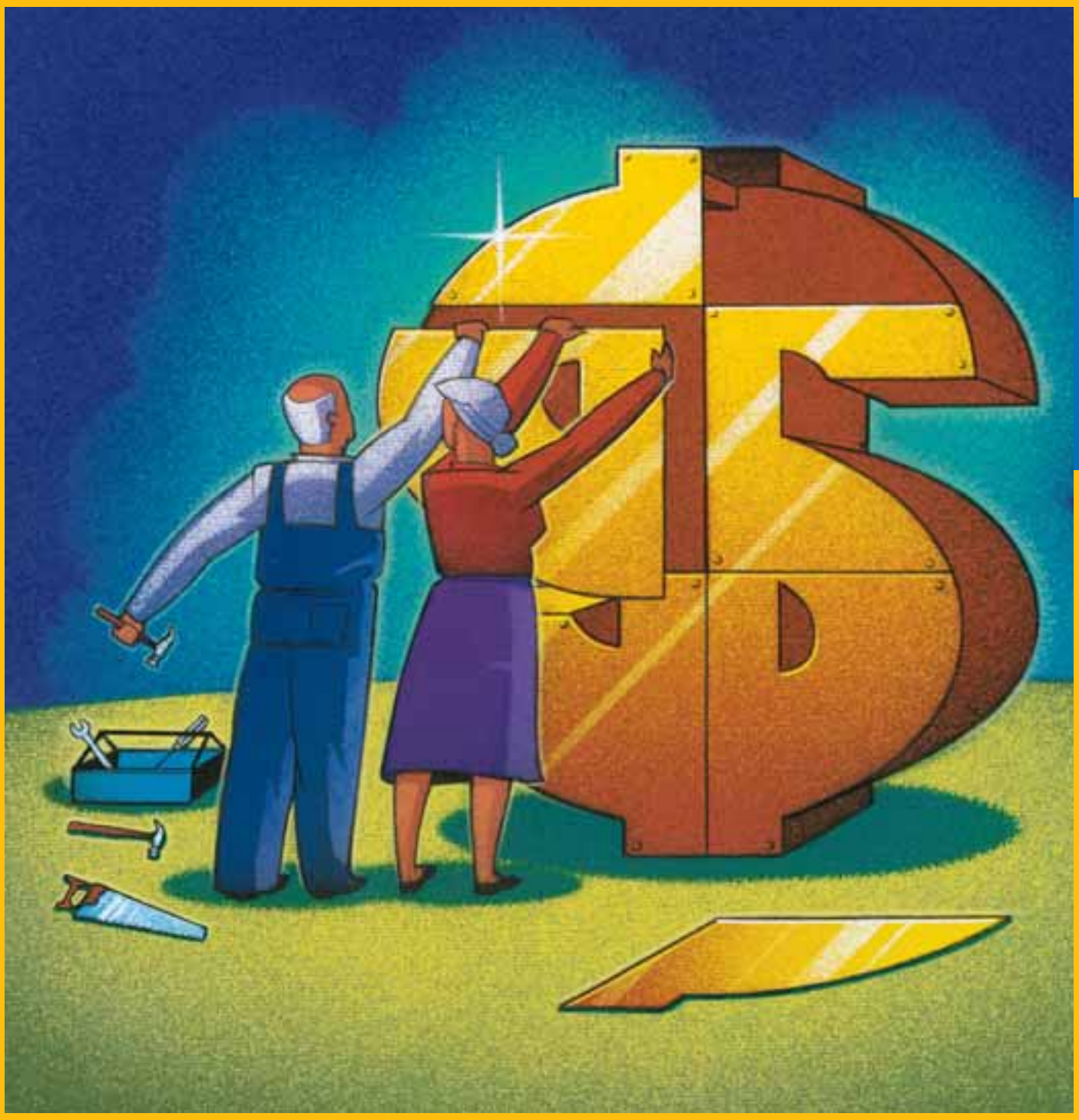
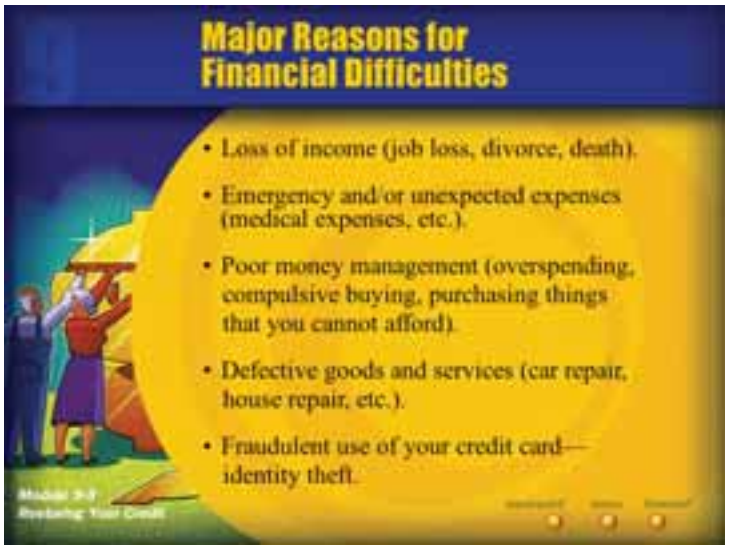
Module 9

Restoring Your Credit



Presentation Slides




Warning Signs
of Credit Problems
• Inability to pay your bills on time and paying late fees.
• Difficulty deciding which bills to pay each month.
• Forced into using credit cards for routine purchases for which you would normally make with cash or checks.
• Spending more than 20% of your monthly net income to pay back credit cards and other loans (excluding a mortgage).


Warning Signs
of Credit Problems
• Borrowing money to make payments on existing loan obligations.
• Frequently at, near or over your credit card limit.
• Paying only the minimum payment due on your credit card bills.


Warning Signs
of Credit Problems
• Paying bills late or putting off necessary things, like visits to the doctor, because you don't have enough money.
• Working overtime or a second job just to cover food, housing and other basic living expenses.
• Thinking your financial condition is beyond help.


Coping With a Financial Crisis
• Try to pay yourself first.
• Don't wait until it's too late to seek help.
• Call the lender/creditor.
• Be prepared to work with the lender/creditor.
• Don't make promises that you can't keep.
• Be honest and don't give up.
• Talk to a local nonprofit credit counseling agency.


Steps to Restoring Your Credit
• Don't wait for an emergency to contact creditors.
• Contact creditors where you have paid off accounts earlier.
• Accept offers for credit cards only if the terms are acceptable to you.


Steps to Restoring Your Credit
• Consider offering security on an account, i.e., car (secured loans) or a secured credit card.
• Consider a co-signer if required, but limit the time and amount for which the co-signer is liable.
• Avoid "Credit Repair" companies. There are no quick fixes; in fact, they can get you into more debt.


Steps to Restoring Your Credit
• Examine how much you owe and to whom.
• Prepare a spending plan.
• Contact creditors to whom payment is overdue.
• Consider possible sources of additional money.
• If you have money in a savings account, consider using it to pay off what you can.


Steps to Restoring Your Credit
• If your delinquency is serious, such as faced with foreclosure, consider borrowing from your retirement account.
• Sell assets.
• Consider getting a second job.


SUMMARY
The warning signs of credit problems are a signal for the need to take control and improve your financial situation.
Additionally, be sure to routinely monitor your credit report and put into practice the necessary steps to positively impact and restore your credit history.


Key Terms to Remember
Impaired Credit
Secured Loans
Secured Credit Card

Tips for Coping With a Financial Crisis

- ***Pay yourself first.*** Put yourself on "the payroll." Always set aside money for savings.
- ***Do not wait until it is too late to seek help.*** When faced with difficulties, it is easier to put something off than to deal with it. However, seeking help early on, when the problem is still small, will always provide for easier, more manageable solutions.
- ***Call the lender/creditor.*** Don't be afraid to let your creditor know about your situation. They cannot read your mind, and will always respond better to a consumer who reaches out to them, than to consumers who avoid them.
- ***Be prepared to work with the lender/creditor.*** Working closely with creditors can oftentimes result in revised payment arrangements or possible restructuring of the debt.
- ***Do not make promises that you cannot keep.*** Be realistic!
- ***Be honest and do not give up.*** Being truthful and persistent with your creditors will help to ensure a good relationship and a positive resolution.
- ***Talk to a local nonprofit credit counseling agency.*** Credit counseling can help you improve and build back your credit. Look in your own community for some valuable resources.

Beware of "Quick Fix" and/or "Credit Repair" companies. They will promise you the world, take your money, and may even further damage your credit.

Please note that trained credit counselors in your area can provide you with free or low-cost, confidential assistance in getting back on track financially. Additionally, they can oftentimes intervene with your creditors and help you to negotiate and set up repayment plans to help maintain, or work to restore your current and future credit opportunities.

Fraudulent Use of Your Credit

It is important to note that if your ID cards and credit cards are lost or stolen:

1) Thieves can use your information to impersonate you.

2) Someone can use your credit card.

In the event that your your ID cards or credit cards are lost or stolen, you should immediately notify your creditors (e.g. credit card companies) to prevent their future unauthorized use. Additionally, you should also:

1) File a police report.

2) Call the three major credit reporting agencies (Equifax, Experian, and TransUnion) and ask them to place a ***fraud alert*** on your name and Social Security number.

This alert means that any company that checks your credit after your cards are reported as lost or stolen, will be aware of possible identity theft. Therefore, they must contact you by phone to authorize the extension of any new credit. This will prevent anyone from illegally using your credit.