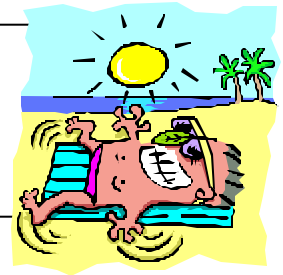


# Build Your Net Worth

News & Tools ~ June 2004



## Predatory Lending and Sneaky Credit Card Tricks

By Donna O'Brien

There are a lot of households in the United States that are in debt and struggling to get out. I have personally talked to many people who are implementing techniques from *Debt-Free and Prosperous Living* to free themselves from debt. After attending a workshop about 2 years ago, I have been methodically paying down our debts.

You would think that lenders would be glad to see this trend since they have worked so hard to change the bankruptcy laws in their favor. But this is not the case. Most credit card companies have become very predatory in the past few years and it's only getting worse. They worked hard to get Americans into debt and they want to keep us that way!

Predatory lending is another great reason to get out of debt as fast as you can. It mainly applies to mortgage companies who use shady tactics to loan money to consumers at high interest rates with unreasonable terms. However, credit card companies are jumping in with their own sneaky scams. Seeing these recent trends has convinced me that we, as consumers, need to take back control. We need to be debt free and remain that way. Credit card companies are huge and have gotten fat off the huge amounts of interest we pay them every year.

Most credit card agreements state that they "have the right to change the terms of the agreement" at any time for any reason. This means that you could have a card that carries an interest rate of 9%, but if you're late on your electric bill, they could decide to raise your credit card rate to as much as 28%. Credit card companies know that if you're carrying a large balance, you've lost your bargaining power. You can't go

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somewhere else and get a better rate. If you routinely pay your balances in full, the credit companies are much more respectful and will overlook a payment that is a day or two past the due date. However, if you're carrying balances and pay only the minimum on your accounts every month, they lay in wait just hoping you'll miss one payment.

**Change of due date:** Some credit card companies will change your due date hoping you won't notice. You pay your bill thinking it's on time, but it shows up as late because you didn't see the new due date.

**Late posting:** Some credit card companies will actually hold your payment and won't process it until it's late. I've personally had this happen with a mortgage company also. I stopped payment on a check they claimed they hadn't received, only to watch them try to deposit it 30 days later! They do this in order to tack on late fees and have a reason to raise your interest rate.

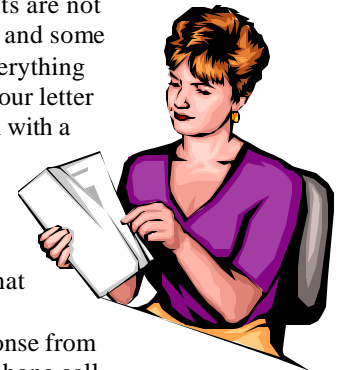
**Raising rates:** Most credit card companies will watch your paying habits to other sources, even your utility bills if they get reported. They will raise your rates for

any late payments regardless of why the payment was late. Even if was a bank error. Along with raising your rates due to late payments, some will start raising them if you're carrying high balances and only pay the minimum amount due each month. This is especially distressing to those of us who are working on the *Debt-Free and Prosperous Living* plan.

### What You Can Do...

The biggest thing you can do is stop using your credit cards and pay cash for everything. Pay down your debt as quickly as possible. Once you're free of the debt, you're no longer a slave to the credit card companies. Watch your statements carefully. Make sure the due dates haven't been changed and that you pay your accounts on time every month. You can pay many credit card companies online now and payments are generally posted the next day. Just be sure to keep a copy of your payment confirmation. Most banks offer a bill paying service, but I would only recommend this if it were free. Mail your checks in plenty of time to arrive by the due date and then follow up to be sure payment has been posted.

If you have a dispute with a credit card company, put it in WRITING! Phone calls are a waste of time. Their customer service agents are not your friends and some will deny everything later. Send your letter certified mail with a return receipt. Make sure to state in your letter that you want a written response from them, not a phone call.



Here again, I've had personal experience with this (the mortgage company I

mentioned above). After the first incident with the missing payment, I started sending my payments only via overnight courier. They posted 2 of these payments late even though I had a signature showing they had been received 1 week prior to the due date. When I called to complain, they wouldn't reverse the late fees. I wrote them a letter and never received a response. It wasn't until I contacted the Better Business Bureau in their state and The Office of Thrift Supervision\* that they finally sent me a letter stating that all late fees were being removed from my account.



This brings me to my next point.

**COMPLAIN, COMPLAIN, AND COMPLAIN.** If you've been a victim of any of these tactics, it's time to start making our consumer voices heard; it's time we let them know we're fed up. Write to your state representatives and tell them you're angry and want these companies regulated.

*\*Office of Thrift Supervision is a division of the Treasury Department that governs Federal Savings Banks.*

Here's a list of helpful websites I have found in my search of these issues:

[www.bankrate.com/brm/news/c/20021106a.asp](http://www.bankrate.com/brm/news/c/20021106a.asp)  
[www.bcsalliance.com/x\\_creditcardtricks3.html](http://www.bcsalliance.com/x_creditcardtricks3.html)  
[www.house.gov/](http://www.house.gov/)  
[www.senate.gov/](http://www.senate.gov/)

**NEWS BIT:** According to ABC News (December 7, 2003) Young adults graduating college with a four-year degree, also leave with over \$19,000 in student loan debt. This is up \$11,000 from 5 years ago.

## One Saved IS Two Earned

By Doris Dobkins

Most of us will do anything to earn a few extra dollars but are we just as willing to spend a few hours looking for the best deal when we make a purchase?

I read a GREAT quote this week and it really made me stop and think about the cost of spending money. The quote read as follows: "A Dollar Saved Is Two Dollars Earned!"

Let me ask you a question. If you got a \$400 one-time bonus at work, how much money would you actually take home in your paycheck? Or, suppose you got a \$2.00 an hour raise, how much would that equate to per hour in take home pay?

In the first situation of a one-time bonus of \$400, most people would take home a little more than \$200. By the time all your deductions such as income tax, social security, and retirement plan contributions, etc. are taken, out, there's not very much left. We call the left over amount, disposable income.

I don't tell you this to depress you but to hopefully direct your thoughts on saving in a new direction. By saving a single dollar, you can achieve the same result. For example, if you are in the market for a video camera and you find one at a liquidation sale that saves you \$200 on the price

that you would pay for it full retail, the savings is about the same as getting a \$400 bonus. If it took you two hours to find this bargain, your savings is worth \$200 per hour.

Many people would be willing to work overtime or on the weekends or even get a second job to earn the extra \$400 needed to buy a new toy, but they don't want to take the time to "save" some money. This doesn't make any sense. Being called thrifty should be a compliment. It implies a disciplined, economical and common sense approach to money.

Let's also tie this concept to credit cards and their interest payments. When you carry a balance on your credit card, and are charged interest, you have to earn about double that amount to take home enough to pay the interest.

If your interest charge for one month is \$150, it takes approximately \$300 worth of earned income just to pay that interest. If you make \$20 an hour, most people think they just need to work 7.5 hours and that would take care of the interest when in actuality, it would take about 15 hours of work to pay the interest.

So, the next time you are tempted to spend money on something that is not really a need, think about it in terms of before tax dollars. Every dollar saved is actually two dollars earned.

*Doris Dobkins, an Independent Consultant, is also the Money Saving Expert Author of "Financial Freedom A-Z Home Study Course" and publisher of the free weekly ezine \$mart Money New\$.*



## Where have you been all my life?

### *. . . the client reaction!*

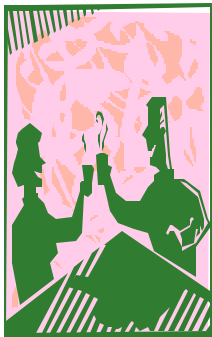
*Here is what some of our clients are saying about our debt elimination and wealth building programs.*

This is simple, easy to follow. I can't wait to start!

Val C.  
Grayslake, IL

This was the best class on money management I've seen. You really made it clear what I need to do to be debt-free. Thank you!

Andy & Tammy P.  
Gurnee, IL



Well, it's time for me to take you out to dinner. In May we will pay off our 30-year mortgage, that's over 20 years sooner. We are so appreciative to you and John Cummuta.

Tom M.  
Antioch, IL

## What Do Americans Really Owe?

By Sherry Ridge

According to the May 2004 issue of CardTrack, Americans owe \$594 billion in bank credit card debt. This is the real total owed once they took out credit balances used for business and those balances that some consumers pay off every month.

Our country leads England and Australia in this not so proud statistic. England has \$66 billion owed and Australia owes \$13.5 billion. Now that's astonishing, mate.

These numbers do not take in to consideration store and gas credit cards. It has been calculated that Americans owe about \$78 billion on these credit cards. That comes to about \$266 for every man, woman and child in the USA.

This gives us a real total amount owed on credit card debt of approximately \$2,293 per person, \$3,632 per cardholder, \$6,400 per household.

Do you know how much \$6,400 can grow during half your working life? At a modest 8% annual rate of return, this \$6,400 in debt can grow to over \$31,000 in retirement income. At 10% it's almost \$47,000.

**Interest can work for you or against you. What is it doing for you?**

*Sherry Ridge a National Sales Manager with Tower Financial Services™, conducts Debt-FREE & Prosperous Living® and Transforming Debt Into Wealth™ workshops all over Lake County, Illinois She eliminated over*

## Bankruptcy Filings Continue to Rise

Year-to-date consumer and business bankruptcy filings are up 2.7%.

### CHAPTER 7 FILINGS

(Years Ended March 31)

2000: 908,802  
2001: 904,397  
2002: 1,059,777  
2003: 1,135,436  
2004: 1,176,654

## Chapter 7 Filings

