

*“Faced with high expenses, too many people are unwilling to change their lifestyles. Being unwilling to change is as deadly as being unable to change.”*

— Ric Edelman, financial expert



# Dealing with Debt and Credit Problems

## Are You in Trouble with Debt?

- An increasing amount of your income is going to debt payments.
- You pay only the minimum amount on loans and credit cards.
- You have reached your limit on credit cards.
- You use credit cards to pay for things that you used to pay for with cash.
- Debt prevents you from making contributions to your retirement plan.
- You experience worry, anxiety, or sleeplessness over debt problems.
- You've been in debt before, got out of it, but are burdened by debt again.

## Take Action Now

The first step to resolving debt problems is to decide on the steps to accomplish your goal. This includes making a complete list of the amounts owed and the terms of payment for each amount. Chances are you could use some advice on how to proceed. Many books exist on the subject of eliminating debt. Most bookstores will have numerous offerings. There are also non-profit organizations in every state. They can help you identify steps to take and provide other related services. These include working with your creditors to help make payments easier and advising you on the consequences of claiming bankruptcy, which should only be done with appropriate professional and legal guidance.

## Credit Repair Service Scams

The Federal Trade Commission says don't believe advertisements heard on radio, newspapers, TV, and the Internet that offer to erase, for a fee, accurate negative information in your credit file. Some of these companies promise to show you how to create a new credit history using a new employer identification number. Then, they advise you to use it instead of your social security number when you apply for credit. Misrepresenting your social security number is illegal. Virtually everything a credit repair service can do legally, you can do yourself.

## What about Debt Repayment Services?

Debt repayment services can work, but you should review the options available

in your community. Before you do business with any company, check it out with your local consumer protection agency or the Better Business Bureau in the company's location. Some debt counseling service firms may charge high fees and fail to follow through on the services they sell. Others may misrepresent the terms of a debt consolidation loan, failing either to explain certain costs or to mention that you are signing over your home as collateral.

## What the SAP can Do

SAPs specialize in being able to identify many types of services in the community to which they can refer employees. The SAP has information on where to find budgeting and money management help, debt repayment services, and financial counseling programs that can help you develop a budget and spending plan.

## Federal Laws that Govern Debt and Credit Services

**Fair Debt Collection Practices Act:** Governs the business practices of debt collection companies and protects consumers against illegal methods, invasion of privacy, and other problematic practices associated with the collection of debt.

**Federal Credit Repair Organizations Act:** Governs the business practices of credit repair organizations and the services and information they provide to consumers.

**Federal Telemarketing Sales Rule:** Portions of the act address business practices of companies offering loans by phone with the promises of getting the loan for an advanced payment or fee prior to receiving such a loan.

**Fair Credit Reporting Act:** Governs the management of information associated with consumer credit, reporting, dissemination of information, consumer rights to dispute errors, and time limits on the reporting of negative accurate information about credit.