



# GOING UNDER

## *America's Debt Dilemma*

### *STEPS TO END IMPULSIVE BUYING*

1. Identify your problem.
2. Build a support network. Have friends, or relatives help talk you out of unnecessary purchases and share your successes in resisting temptation.
3. Assess current debts and income and build a workable budget for paying off debts. (Do not continue to increase debts.)
4. Approach your creditors to negotiate payment plans you can fit into the budget you've built.
5. Use your support network to help you change your buying behavior.
6. Set up realistic financial goals and a timetable for meeting them.
7. Keep track of your progress; share your successes. Do what you can to stop backsliding, but don't dwell on it.
8. Pay off all outstanding credit card debts.
9. Set up new guidelines for responsible credit use.
10. Begin saving money for your financial goals.
11. Reward yourself for accomplishments (not by spending money).
12. Check your financial status regularly and adjust any backsliding. Set new financial goals as you accomplish the old ones. And, most important -- now that you know the way, help someone else who might be tangled in debt.

*Source: Debtors Anonymous*

## ***ANSWERS TO THE CREDIT DILEMMA***

### **What students can do:**

1. Educate yourselves by reading and checking the Internet on what card companies are up to. (See accompanying Web-site information).
2. Don't give up just because you're in debt. Most students can salvage their situation by addressing it early. Don't be afraid or embarrassed. Ask for help early. Problems with long-term blemishes on credit reports occur when students feel they can't win and give up.
3. Get only one card, for emergency use only. Not many horror stories of debt occur when students have one major card. The danger comes when other companies continue to mail pre-approved offers -- and students take the bait. Do not get cards from furniture or department stores. Nightmares about credit seem always to include those secondary cards.

### **What parents can do:**

1. Teach children early. MasterCard is not shy about putting a card bearing its likeness into a Barbie doll's hand, so parents should work equally as hard to combat those approaches.
2. Be "nosy" about your child's finances even if he or she is 20 or older. That may be when they need snooping most.
3. Be a role model. Children will follow Mommy and Daddy's lead. Will yours see you do the right things?

### **What companies can do:**

1. Give people accurate information about interest rates. Eliminate the fine print on the back of monthly statements. Bring that information out front, in clear language and charts. Looming legislation may help.
2. Put the owner's picture on every card, as Citibank does now. If the industry truly wants to lower card thefts, this would be a major step forward. The idea is simple: If the shopper doesn't match the picture on the card, clerks should not sell them anything.
3. Stop targeting teen-agers.

### **What universities can do:**

1. Make personal finance mandatory to graduate. Students should be required to get at least a "C" for credit. National statistics, surveys and personal testimonies show that students need lessons in personal finance.
2. Ban solicitors from campus, or at least limit their visits. Make them put away the candy, toys and T-shirts -- free gifts designed to attract student interest.
3. Credit is a privilege. Require people under 21 to take a test on money matters before qualifying for a card. In most states, no teen can get a driver's license without passing a test. It should be that way with credit cards.



## ***TIPS FOR AVOIDING DEBT***

How you handle your credit and finances is as individual a choice as picking a toothbrush. But here are some general tips to help you stay out of debt, or avoid getting there.

- If you have many cards, cut up all but one. Experts say one is enough. Two is OK for theft of the other card or an emergency.
- Ignore the Joneses; keep up with yourself. Much of credit card hype involves status. Chasing fads can tempt even the most disciplined consumer to spend.
- Pay your entire balance every month. If you can't, pay as much as possible. Some months, double or triple a payment, but make reaching zero balance a priority.
- Don't be intimidated by card firms. NCCU sociology professor Ike Robinson likens them to bullies. "It's about power," he said. "These are very, very powerful companies with vast resources preying on vulnerable, unstable young people. And most of these youngsters are coming from homes that are not usually affluent."
- Be like David: Grab your slingshot and fire away at Goliath. Complain if you get hit with improper penalties, late fees or over-the-limit fees. Scrutinize your statement for phony or wrong charges. At least once, photocopy the fine print so you can enlarge it and see what it is saying.
- Network with friends and family to find ways to deal with card companies. Just as you discuss getting the best deal on a car, talk about how you can combine brain power to get the best credit deals possible.
- If you are a parent, teach your child about responsible money management, regardless of age.

## *Get familiar with your credit report*

One of the most important tools you have to rebuild financially is your credit report.

It is the one item that will tell you what creditors are saying about how you handle money, loans, car payments -- and credit cards. It also will show how often you apply for credit.

In an age when employers increasingly are asking to see credit reports, you need to arm yourself with information. Become familiar with every item on your report and get them from all three major agencies: Experian (TRW), Equifax and TransUnion.

The first step is to contact the agencies. Call to find out what information you need to send them. TRW will send a free report if you request it. Call 1-800-392-1122. Equifax charges \$8. Call 1-800-685-1111. TransUnion charges \$8. Call 1-800-916-8800.

Be sure to order a report from all three agencies -- to compare and to have the most complete information about your credit history. One agency sometimes will have information that conflicts with figures from another agency.

Here are some common questions you may have when the reports arrive.

### **Q. How can I get a mistake off my record?**

A. According to Equifax, you will have to document the details of the problem in writing. Some reporting agencies will include a form to use for disputes over information you believe is wrong. The reporting agency then will check with the companies that say they gave you credit. Information that cannot be verified will be removed from your file. Take up disputes with the company that is the source of the information in question.

### **Q. What if I still disagree with an item after it has been verified?**

A. Send a brief statement for your credit file that will be disclosed each time your file is checked.

### **Q. What in my credit file could keep me from being approved for credit?**

A. The answer varies. It could be directly related to items in your file. Your credit could appear to be perfect, but you could be denied because of not living at your current address long enough. Also, having too many inquiries could make stores think you constantly are applying for credit. If you have questions about why you were not approved for credit, contact the store that turned you down and ask why.

### **Q. How long will bad credit information stay on my report?**

A. Most comes off after seven years. If you filed bankruptcy, it might stay on there for 10 years.

### **Q. Who can look at my credit report?**

A. The law says credit bureaus can disclose any information about you to any person with a "permissible purpose" for seeing the information. That could include landlords, car dealerships or employers -- anyone who wants to see your financial habits. Your report will show who has been requesting information about you and when they requested it.

*Sources: Equifax Credit Information Services; "Get a Financial Life," by Beth Kobliner*



## ***CREDIT HELP ON THE WEB***

Listed below are Web sites and telephone numbers that should help anyone seeking more information on credit companies' relationship with college students:

1. [www.JumpStart.org](http://www.JumpStart.org) -- JumpStart is dedicated to increasing financial literacy among teen-agers and children. It is excellent for parents and children. (202) 466-8613.
2. [www.ftc.gov](http://www.ftc.gov) -- The Federal Trade Commission has a site loaded with information in easy-to-understand English. The publications page should be helpful. (404) 347-4836.
3. [www.abiworld.org](http://www.abiworld.org) -- The American Bankruptcy Institute site is a must for anyone thinking about filing bankruptcy. This a nonprofit organization that won't push for or against filing. But it will provide a plethora of information for you to make an informed choice. (703) 739-0800.
4. [www.debtorsanonymous.org](http://www.debtorsanonymous.org) -- This is the site of one the first national help organizations for over spenders and debtors. (212) 642-8220.
5. [www.fraud.com](http://www.fraud.com) -- This is the national fraud information center. It has vast resources on how to protect your cards and account numbers. (800) 876-7060.
6. [www.powersource.com/cccs/](http://www.powersource.com/cccs/) -- This is a national site for the Consumer Credit Counseling Service. The service also has a local office that provides counselors who can help people analyze their debt and how to get it under control. The CCCS also can be contacted by calling 688-3381.\* Books: "Get a Financial Life," by Beth Kobliner; "Expressing America," by George Ritzer.

