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NACCC Newsletter

It's Baaaaack! Bankruptcy Reform Legislation Revisits Congress

On February 1, Senator Chuck Grassley re-introduced legislation to overhaul the nation's bankruptcy code: "It's time to promote responsible borrowing while also ensuring the safety net offered by bankruptcy. It was not intended to be a convenient financial planning tool where deadbeats can get out of paying their debt scott-free while honest Americans who play by the rules have to foot the bill. Someone has to pick up the tab when people get out of repaying their own debts. When losses are frequent and the economy is weak, businesses are more likely to raise prices for other consumers to offset those losses."

The Iowa senator believes the bill will cut down on frivolous bankruptcy filings through a number of reforms. One is the creation of a flexible means test whereby an individual's ability to repay his or her debts is assessed. Other reforms would impact credit card companies by requiring them to disclose the dangers of making only minimum payments, prohibiting them from using deceptive "low introductory rates" advertising, and requiring them to provide consumers with a toll-free number to get information on how long it will take to pay off their balance.

The bill, if passed, would also have a dramatic effect on credit counseling agencies. Section 109 of the Bankruptcy Code, which addresses who may be a debtor entitled to file bankruptcy, states that an individual must receive a counseling session to review options for credit counseling

*"Until you make peace with who you are,
you'll never be content with what you
have."*

-- Doris Mortman

from "an approved nonprofit budget and credit counseling agency" within 180 days prior to filing bankruptcy. Section 727 of the Code adds the requirement of "an instructional course in personal financial management" before a Chapter 7 discharge. Credit counseling agencies would be required to follow a specific set of standards to be approved as course providers.

Informed sources indicate that the consensus in Washington is that bankruptcy reform legislation will be re-introduced in Congress most likely before April. Previous versions of the bill have failed in recent years. Currently, sources give the bill a 60/40 chance of passing this time around. It would then go to President Bush for his signature and become law after 180 days. It's important for all credit counselors to keep informed about this new legislation. It may prove to have lasting effects on how the debt management industry counsels and educates a large percentage of its clients.



\$ Trends in Lending \$

This Kitty Can Bite!

New debit cards for kids touted as educational tool but does it have to cost so much to learn?

A new breed of plastic is taking aim. Its target? Girls ages 10 to 14. Say hello to the Hello Kitty MasterCard debit card. Kids are fair game now that credit card issuers have discovered they represent a decidedly under tapped 30 billion-a-year market. "Up until now, the financial markets have been a little gun-shy about targeting kids directly, but I think that will change and a debit card is a vehicle that provides that opportunity", says Paul Kurnit, president of KidShop, a New York youth-marketing consulting firm.

Financial institutions are now openly soliciting children as young as eight years old with what some consumer advocates describe as "credit cards with training wheels". These types of cards draw from a pre-paid account so there is no borrowing and no finance charges. Travis Plunkett, legislative director of Consumer Federation, says, "It's laying the groundwork for children to become credit card users as adults". However, this little Kitty's got claws.

Joline Godfrey, author of Raising Financially Fit Kids, says that the Hello Kitty Card and cards like it, are a subtle way for lenders to instill adult-style credit card use early on. "Financial institutions used to be pretty conservative members of the community, preaching balanced budgets, home ownership and savings. Over the course of time, they have become more partners with retailers teaching children how to spend and consume."

Officials at MasterCard and Visa see it a different way. Rhonda Bentz, spokeswoman for Visa USA, says, "We think it's a good way to teach teens good money management early on." Her company introduced a debit card for teens called Visa Buxx in 2000.

However, you have to wonder what a card carrying kid is really learning when you consider the fees these types of cards come with. Hello Kitty has an activation fee of \$14.95. To renew it after a year, it's another \$14.95. There is a \$2.95 monthly maintenance fee, a \$1.50 ATM-withdrawal fee, and a \$1-per-minute fee just to talk with a customer service agent. (You gotta hope they don't put you on hold!)

While cards for kids may have some redeeming value in that parents can better monitor what their children buy with their allowance, whatever lessons these cards impart to youth, they definitely do not encourage the avoidance of excessive fees. After all, it's a pre-paid debt card. Why should you have to pay just to withdraw cash? Why should you have to pay to get customer service? It's questions like these that truly financial savvy kids should be asking.

Stay tuned. Youth marketing executives predict an upsurge in cards for kids, especially as the youngest segment of consumers shop and spend on the Internet.

Quick Notes

Dream On

According to a survey released in January 2005, Americans as a whole dream of a debt free future but few are doing anything to reach that objective. The survey, conducted by LendingTree.com, polled 1000 consumers about their financial futures. Almost 80% see a future completely free from debt. However, few have a definitive strategy to take them there. Thirteen percent actually admitted they have no intention of developing a financial plan of any kind. One has to wonder if that 13% also still believe in the Tooth Fairy...

Advice to Consumers: Choose Certified Counselors Only

In his column, The People's Money, Robert Heady advises debtors to shop around when considering a debt management agency. He says, "The typical Joe and Jane know practically zip about credit counseling."

One of his top tips for consumers: Only deal with certified credit counselors. Things consumers need to watch out for: Excessive "processing fees" and "anyone who tries to shove you into a 'debt management plan' right off the bat."

Ideally, your first contact with an agency should focus only on your overall financial situation, how you got there, and what can be done to resolve debt.

40/40 Vision

According to Steve Rhode and Mike Kidwell who write about credit issues for Gannet News Service, consumers are turning a blind eye to their finances. "40% of the population think they're doing fine because they generally aren't paying attention...another 40% think they are in financial trouble, panic, and make rash decisions that often only make bad situations worse", they say.

Take, for example, the current rash of home equity loans used to consolidate delinquent debt. A high percentage of consumers with these types of secured loans continue to run up more debt. When the lender comes for the house, maybe these consumers will suddenly have 20/20 hindsight.

You Shouldn't Have!

Everybody loves to get flowers but apparently Elton John just can't get enough. It's been widely reported that he splurges tens of thousands a month on fresh flowers for his four mansions – even the ones that sit empty. My how they can brighten up a room!

Do Credit Counselors Need Credit Counseling?

How are you financially speaking? Do you practice what you preach?

Take the quiz below to find out.

- 1. How do you normally pay your monthly credit card bill?**
 - a. I get an uneasy feeling in my stomach when I see a credit card bill in the mail. I put it to the side and wait until the very last minute to send a check.
 - b. I use the credit card company's online payment option. There's no need for stamps, envelopes, or checks. I can also be assured that the payment will be on time.
- 2. You just got a new credit card in the mail with all the usual boring terms and disclosures.**
 - a. I throw all that stuff in the trash. I pride myself in keeping my house clutter-free.
 - b. I might go blind, but I'm going to read the fine print carefully.
- 3. While cleaning up, you find that department store bill you misplaced last week. You notice that the due date is tomorrow but you don't get paid until next week.**
 - a. I guess I'll just wait until my check comes. After all, that's what grace periods are for, right?
 - b. Well, there goes my plans for the weekend. I'll have to use the extra money to pay at least the minimum amount due. I avoid late charges like the plague!
- 4. It's high time for a brand new car, so you surf the net for deals and options. Do you give your personal information to several lenders so they can run a credit check on you?**
 - a. Sure, why not? I'm not signing anything. I just want to find the best deal out there.
 - b. I don't give out personal information until after I'm pretty serious with a particular lender. Then, and only then, will I let someone do a credit check.
- 5. You finally found the perfect house – a two-car garage, a backyard patio, and a large family room with a fireplace. The only drawback is the projected mortgage payments. It's going to be a real stretch to come up with that amount every month.**
 - a. This is my dream house and it's worth the struggle.
 - b. I really love this house but I have to pass this time around. I want to be more prepared financially.
- 6. A couple of your co-workers are talking by the water cooler. As you pass by them, you over hear one of them say, "Having credit these days is a necessity. I mean, it should be every consumer's right to use credit cards to purchase the things they want." You say,**
 - a. I couldn't agree more. Look at all the deals you can get by shopping online. You have to have credit cards to exist in today's world so why shouldn't it be a protected right?
 - b. Being issued a credit card is a privilege. When people abuse that privilege, they have to suffer the consequences. It's the responsibility of consumers to make sure use credit wisely if they view it as an essential financial tool."
- 7. What do you look for in a new credit card?**
 - a. I try to get a card with the highest possible credit limit. I also like it to have some cool design so it looks really impressive.
 - b. I look for the lowest interest rates and penalty fees. I also look for the longest grace periods.
- 8. Your credit card billing statement shows a purchase you don't remember making.**
 - a. I'll pay it anyway. The billing department will probably catch the mistake next time.
 - b. I will dispute the error by sending a letter by certified mail.
- 9. I want to cancel one of my credit cards. There's just too many fees to keep up with.**
 - a. I'll cut it up, throw it in the trash, and that will be that.
 - b. I'll notify the card issuer by telephone, follow up in writing, and then check my credit report.
- 10. Do you have a spending plan?**
 - a. Yes, I plan to spend money.
 - b. Yes, I maintain a monthly spending plan where I can monitor what goes in and what goes out.

Scoring: For each "b" response you chose, give yourself one point. 7-10 points = You're a genius, financially speaking. 4-6 points = You're walking a financial tightrope. 0-3 = Stop the denial, you need counseling today!

New Research!

Harvard Study: Medical Costs Trigger Half of Bankruptcies

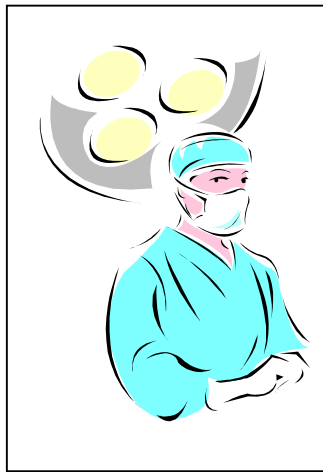
A study published February 2nd by Harvard University attributes about half of all personal bankruptcies to costly illnesses. It also found that most of those who go bankrupt due to medical problems have health insurance. Researchers at Harvard's law and medical schools state that the results of the study highlight the inadequate coverage offered by many private insurance plans. According to Senator Leahy (D.VT) and others, it also calls into question the premise of new bankruptcy reform legislation that debtors are abusing the system.

The study's lead author, David Himmelstein, said, "Unless you're Bill Gates, you're just one serious illness away from bankruptcy." Published in the journal *Health Affairs*, the study distributed questionnaires to 1,771 bankruptcy filers from five states across the country. More than 900 of those questioned also participated in detailed interviews for what the authors state is the first in-depth study into the medical causes of personal bankruptcies.

Illness and medical costs accounted for 46.2 percent of the bankruptcies in the study. That figure rose to 54.5 percent when three other factors were included as medical-related causes of bankruptcies. These were births, deaths, and pathological gambling addiction. The study concluded that about 2 million consumers file bankruptcy each year due to medical problems and their high costs.

The study counters assertions by many legislators on Capitol Hill that the bankruptcy system as it stands today is too lenient. Senator Grassley (R.IA), for example, claims that new reforms are needed to cut down on abusive and frivolous filings. However, the Harvard

study states "Most of the medically bankrupt were average Americans who happened to get sick." Three-quarters of those who went bankrupt said they had coverage at the start of their illness.



Consumer Quick Tip

House Hunters, Get Pre-approved!

The best way to get a clear picture of what you can afford on the housing market is to get pre-approved for a mortgage. A mortgage pre-approval will focus your search on housing that is in your price range. It will also give you confidence to negotiate when you find a house. Being pre-approved makes you a very desirable buyer.

How does it work? The lender will process your application, check your credit report, and verify your employment, assets, and debts. Generally, it takes about a week but in some cases it happens a lot sooner. With a pre-approval, the house-hunter has a commitment from the lender for a specific amount. With pre-approval, the only mortgage detail left is for the lender to order the appraisal and title work of the property you are interested in purchasing.

Open Forum

Towards Financial Serenity...

Call it what you will – financial peace, financial well-being, financial health -- , it appears to be the new thing to attain, replacing the old idea that if only we had more money, all our problems would magically disappear. On the cover of the latest edition of *O Magazine* published by Oprah Winfrey, the headline, "Phew! O's Guide to Financial Serenity" is definitely designed to attract attention from shoppers in the checkout lines of America. Best-selling authors appeal to this new desire for a financially de-stressed life. Author Suze Orman calls it "financial freedom"; Dave Ramsey dubs it "financial peace". Bob Hammond hits the nail on the head with this title: *Life After Debt: Free Yourself from the Burden of Money Worries Once and for All*.

People are buying books by these authors and more not because they offer any get-rich-quick schemes or ways to make a killing in real estate or the stock market. Consumers are increasingly looking for ways to find balance and, dare I say, happiness with the money they have *now*. They want to be free from the burden of debt. They hunger for advice that will help them get the most out of their resources both in terms of income and time. With this desire to find a key to financial peace of mind, there is a growing realization that more money does not necessarily make everything easy. In fact, though it may be hard to believe for some, winning the lottery seldom creates the worry-free life we dream about.

We would like to take this opportunity to welcome readers to the first newsletter of The National Association of Certified Credit Counselors. This is YOUR forum of news, announcements, issues, and opinions about everything concerning the work that credit counselors do. We invite you to send us

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your thoughts, e-mail us your ideas and responses to what you read here and elsewhere.

Just to get you started, we thought a good jumping off point is this new emphasis on financial serenity as opposed to making more money. Is it just a fad or does this shift toward getting our heads as well as our bank accounts truly balanced a breakthrough? Do you welcome the change or should we continue to equate financial success with the acquisition of more and more assets?

This is your chance to voice your comments, ideas, feelings, and attitudes. Let's hear from the people in the front lines. Share what you have learned as a professional in today's credit counseling industry.

Direct all comments to info@naccc.us.

Spotlight

How would like to have your name in lights? Alright, we can't really get you on Broadway but we can feature you and your company in our new Spotlight column. Each month, we would like to highlight positive people and developments within the credit counseling industry. That means you! Let us here your success stories so we can spread the inspiration.

Email john@naccc.us

Saving Graces

Ways to Save Getting Downright Creative

When it comes to cutting costs, there is literally no end to the ideas you can find in magazines, newspapers, and on the Internet. Here's just a sampling of some of the expense-slashing strategies that are definitely the product of some serious creativity:

Book Your Flight Late Save \$50 to \$400 on your next airline ticket by calling just after midnight Eastern time. That's when airlines decide whether a flight is full and begin slashing prices if it's not.

Dress Amish That's right! Check out Gohn Brothers, which caters to the Amish but sells to anyone. You can save \$10 on denim pants.

Work Out For Less Why pay the typical \$225 per year gym membership when you can sign up for a class at your local community college (as little as \$35 dollars) and use your student ID to use their gym.

Spice It Up Seasonings usually come in tiny (and expensive) packages. Buy them in one-pound bags from the Atlantic Spice Co. (800-316-7965; www.atlanticspice.com)

Usher In Some Entertainment Theatre is not dead. It's just expensive. A great way to see shows and concerts for free is by serving as an usher. For more info, search to Internet using keywords "volunteer," "usher," plus your hometown.



NIFCE's Current CEU Offerings

The following is a list of available continuing education programs offered through The National Institute for Financial Counseling Education. Counselors are required to complete 8 CEU's per year to maintain certification. Most counselors certified through NIFCE enroll in the Senior Counselor Program to receive 16 CEUs.

Programs listed below are 8 CEUs each.

1. Communication
2. Conflict Resolution
3. Myers-Briggs Type Indicator
4. Team Building
5. Diversity Training
6. Harassment for Managers
7. Harassment for Employees
8. Interviewing and Selection
9. Retention
10. Change Management
11. Health and Stress in the Workplace
12. Customer Service
13. A Cognitive Approach to Credit Counseling

Suggestions? If you have a topic you think would make a great CEU, contact NIFCE at info@nifce.org