

WARNING:

CREDIT CARD DEBT CAN BE HAZARDOUS TO YOUR \$ HEALTH

U.S. Enacts Credit Card Reform! But you still have to read the fine print.

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New Credit Card Reforms Solve Some Problems, but You Still Need to Protect Yourself

The federal CARD Act, reforming some aspects of the credit card industry, went into effect in February, 2010. New restrictions limiting fees and regulating how interest can be charged, along with new notification requirements, benefit consumers. However, there are still a number of things to look for in order to avoid a credit card debt crisis.

- **New and Higher Fees:** Companies can still charge a number of fees and are instituting new ones. Check your statement for:
 - New or higher finance charges, inactivity fees and international activity fees.
 - Annual fees, which had become relatively rare but are making a comeback, with some banks adding annual fees to existing accounts.
 - Increases in other existing fees, including those for balance transfers and cash advances.
- **There is No Ceiling on Interest Rates, Penalty Charges or Service Fees.** Read your statement every month to verify your rate and watch out for unexpected fees.
- **Variable Rate Cards:** If you have a variable-rate card, your interest rate is linked to an index number that changes periodically. Some new restrictions do not apply to variable-rate cards – and the majority of today's cards have variable interest rates.
 - Some fixed-rate cards have now switched to variable rate – check your statement to see if this is the case.
 - If you have a variable-rate card, keep track of your interest rate.
- **Credit Limits Can be Reduced and Accounts Closed Without Notice.**
- **Penalty Interest Rates for Existing Balances:** If you are 60 days late, card issuers can still raise interest rates on your existing balances, as well as on your future purchases.
- **Monthly Minimums Can be Doubled:** Over the life of a card, issuers can still double the minimum percentage of your balance that you must pay every month. If you can't keep up with the higher payments, the existing balance can be subject to a higher interest rate.
- **Existing Rewards Programs are Being Reduced.** You may not be getting the perks you used to for your purchases, or you may be charged a fee to keep your rewards. Make sure it's worth it.
- **Costlier International Transactions:** These purchases may be subject to significant fees now. This affects travelers and transactions processed in another country, including online purchases.



New York City

Habitat
for Humanity®

To learn more about credit cards, predatory lending practices and tips on better alternatives, go to our website: www.habitatnyc.org.

Habitat for Humanity - New York City
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212-991-4000

What Changes has the CARD Act Made?

The CARD Act has instituted some important reforms for the credit card industry, including:

- Clearer credit card statements that highlight how long it will take to pay off your balance.
- A 45-day notice requirement for significant changes to the terms of your card.
- New rules on interest rate hikes, which can only apply to new balances and can't be changed in the first year, as long as you're not more than 60 days late on your payments.
- An end to over-the-limit fees, unless you specifically ask for over-the-limit privileges.
- Restrictions on issuing credit cards to people under 21.
- An end to "universal default," which allowed issuers to raise interest rates on existing balances because of problems you had with other lenders.

What Does Your Credit Card Really Cost?

Example:	
\$8,000 credit card debt	After one year, this equals:
26% APR	\$2,042 paid in interest
2.5% Monthly Minimum Payment	\$315 paid in principal
	\$7,686 of remaining debt

Do the math on your credit card – use an online credit card calculator on sites such as www.bankrate.com

Alternatives to Traditional Cards – What to Know:

■ Pre-paid cards

Beware of pre-paid credit cards, which generally charge fees that significantly reduce your buying power. New legislation went into effect in **August 2010** limiting the inactivity fees that can be assessed on these cards, setting new disclosure requirements and regulating expiration dates, but you can still end up paying a good deal in monthly fees, "convenience" fees, ATM withdrawal fees and other charges. Consider using a checking account with a bank or credit union.

■ Secured Credit Cards

Secured credit cards require a down payment equal to your credit line before you can use the card, usually \$300 to \$500. This may help build credit if you cannot obtain a traditional credit card. However, read the terms carefully and be sure you can make your payments before taking out a secured card. Make sure there is no application fee and a low annual fee. Speak to a credit counselor before making this decision.

■ Debit Cards

Beginning **July 1, 2010**, all consumers were given the choice to opt-in to overdraft protection for debit cards. Overdraft fees cost consumers an average of \$34 per overdrawn transaction, and **many consumers may find it best not to accept overdraft protection**. When you overdraft, a small purchase can cost you a hefty fee.

Looking for a Better Card?

- Seek an interest rate of 15% APR or lower. Don't be fooled by promos advertising 0% interest – make sure you know what you'll be paying once the introductory period has passed. Websites like www.bankrate.com can help you compare cards.
- Find a card with no annual fees or very low fees and low late fees.
- Consider alternative credit card issuers, such as credit unions, that may have better options. Websites like www.findacreditunion.com can help you find a nearby credit union.
- Read the fine print! The details can be confusing – if you can't figure something out, find someone who can help. Don't sign anything you don't understand.

To learn more about credit cards, predatory lending practices and tips on better alternatives, go to our website: www.habitatnyc.org.

Your credit score is a number used to gauge how creditworthy you are. It is seen as a predictor of how likely you are to repay a loan and make payments on time. Every financial transaction that you make can impact your credit score. If you miss a credit card payment, don't pay your rent, phone bill or utilities, bounce a check, carry too much debt, buy a car or a house or take out a student loan - your credit score is affected.

Maintaining a good credit score is one of the most important things you can do for your financial health. The higher your score, the more money you can borrow and the less you'll pay for the loan. Your credit score is commonly checked when you rent an apartment, purchase a home, turn on your utilities or even apply for a job. Your credit history can affect how much you pay for car insurance, what cell phone plan you're eligible for and more.

There are three credit reporting agencies, and each agency has a different formula it uses to calculate your credit score, which is also known as your FICO score. Many lenders make loan decisions based on your credit score. Think of it as your entire credit history turned into one number.

A Typical FICO Score Breakdown:

If your FICO score is:	Your credit score is considered:	And you will pay:
720 – 850	Excellent	The lowest interest rates on loans.
690 – 719	Good to Excellent	Low or high rates: shop around.
660 – 689	Good	High rates: shop around.
625 – 659	Fair	Very high rates: shop around.
590 – 624	Poor	The highest interest rates on loans.
300 – 589	Very Poor	You might not qualify for a loan.

Is There a Fee to Obtain My Credit Score?

Credit scores are not free. They cost around \$16 per score. Visit www.MyFICO.com to order.

How Do I Get My Credit Report?

Your credit report will provide a detailed history of your credit. There are three nationwide consumer reporting companies that collect all of your credit information. Each is required to give you a free copy of your credit report every 12 months, if you request it. They all use one website and one phone number for consumers to order their free annual report. To get it, go to www.annualcreditreport.com or call 877-322-8228.

WARNING: Do not be fooled by companies that offer free credit reports in TV and radio advertisements. They will charge you a monthly fee for a credit monitoring service you probably don't need!

What Affects My Credit Score?

- **Your payment history makes up 35% of your score.** The single most important thing you can do is pay your bills on time.
- **Your balance accounts for 30% of your score.** Paying down your balances is the second best way to improve your score.
- **In addition,** 15% of your score is determined by how long you've been using credit (longer is better), 10% by how often you request credit (less often is better) and the final 10% by the type of credit you use (a combination of loans and credit cards helps).

If You Have a Credit Crisis, Reputable Organizations Can Help!

- **Financial Empowerment Centers:** Overseen by the city, FECs provide free confidential credit counseling and may help lower your monthly debt payments. With locations across the city, they are a great first stop if you want advice and assistance. Call 311 to schedule an appointment.
- **Credit Where Credit is Due:** Free financial counseling and education. Call them at 212-927-5771.
- **Watch for scams!** There are predatory companies that may try to take advantage of your situation by charging you for services you could do for free or simply taking your hard-earned money and doing nothing at all. **FECs and Credit Where Credit is Due** can help refer you to trustworthy services.

How Can I Improve My Credit Score?

There is no quick fix to improving your credit score, and if someone is advertising exactly that – beware! Only accept help from reputable organizations – start with those that Habitat-NYC recommends.

Remember, **YOU CAN IMPROVE YOUR SCORE** over time. There are many positive actions you can take:

- 1 Pay all of your bills on time every month – it is the fastest way to add points to your credit score.
- 2 Pay more than the minimum per month. Otherwise it can take you years to pay off your balance and you could pay two or three times your balance in interest!
- 3 Pay down your balances. The wider the gap between your balance and total credit limit, the better your score. Aim to use no more than 30% of your available credit. If you can't pay down all your balances, try to pay down the balance that is closest to its credit limit.
- 4 Read your monthly statement and review the terms of your card. Verify the interest rate and credit limit every month, and look for mistakes on your statement. If there is an error, report it to the credit card company.
- 5 Review all three credit reports at least once per year. Dispute incorrect information to your creditor and the credit reporter in writing. Remember, www.annualcreditreport.com is the only website for a truly free credit report.
- 6 Build an emergency fund. If an unexpected expense comes up, such as a car repair or a medical expense, you can pay for it with cash instead of charging it and increasing your credit balance.
- 7 Take extreme caution when transferring credit balances to low-interest rate credit cards. Your best bet is to stick with paying down your balances rather than moving them around.
- 8 Stay on top of “hard inquiries.” When you apply for new credit, a lender will review your credit history. These are called “hard inquiries,” and they can lower your score. The impact of an inquiry should be minimal if you shop for one loan at a time and don't spend more than 30 days shopping for the best rate. It may be possible for you to provide your own recent copy of your credit report to the lender instead.
- 9 Wait six months after you have applied for credit before you apply again.
- 10 Be careful about closing your credit card accounts even after you pay them off. When you close an account, you lower your total available credit. You want to widen the gap between your total credit balances and your total available credit to improve your score. Also, the longer you have an open account the better.
- 11 Shop around for interest rates if you are planning a large purchase or getting a student loan, but try to do all your shopping within 30 days to minimize the impact on your credit score.
- 12 You need to use your credit to improve it. Even if you don't need credit, make small purchases with your credit cards, then pay them off in full every month.
- 13 If you have public records, charge-offs, or delinquencies or are being contacted by a collection agency, see a credit counselor for advice.
- 14 Talk to creditors that have reported negative information about you to the credit bureaus. They may be willing to remove it from your credit report – it's worth a call!
- 15 If you have a limited credit history, consider credit reporting organizations that track payments such as utilities and rent to demonstrate your creditworthiness. One example is PRBC (<http://ez.prbc.com/main/faq.php>)

And above all: Don't ignore your credit problems. Your credit belongs to you, and it's your responsibility to maintain it. Don't be embarrassed by credit troubles – you are not alone and a little effort can put you back on track! Take advantage of the free resources we've listed – there are people and services willing to help!

Credit & Debt Resources: Where to Go for Help

First Steps for General Credit Issues

If your credit report shows public records, judgments, charge-offs or delinquencies, or if you are being contacted by a collection agency, contact a credit counselor and talk to someone. The following are reliable free resources for credit and debt help:

Financial Empowerment Centers: Overseen by the city, FECs provide free confidential credit counseling and may help lower your monthly debt payments. With four locations across the city, they are a great first-stop for advice and assistance. Call 311 for an appointment, or to find the FEC in your neighborhood, click here:



<http://www.nyc.gov/html/ofe/html/poverty/fec.shtml>

Credit Where Credit is Due: Provides free financial literacy workshop in every borough, CWCID also has a relationship with a credit union where you can set up an account.



212-927-5771



<http://www.cwcid.org>

Single Stop USA: Single Stop has several locations in New York City offering help with financial counseling, legal assistance, benefits screening, finding a job and other services.



212-480-2870



<http://www.singlestopusa.org>

Take Charge America: A resource for credit counseling, debt management, bankruptcy counseling and financial education services over the phone or online.



866-528-0588



<http://www.takechargeamerica.org/>

Other Debt Management Resources:

These organizations can help you address specific debt issues:



Medical Debt:

The Access Project's Medical Debt Resolution Program

<http://www.accessproject.org/medical.html>

Phone: 617-654-9911

Information about working with medical providers, insurers and public programs to resolve your medical debt. Use their online intake form to request assistance.

Patient Advocate Foundation

www.patientadvocate.org

Phone: 800-532-5274

PAF provides case management services to those with chronic, life threatening and debilitating illnesses. It serves as a liaison between you and your insurer, employer and/or creditors.



Student Loan Debt:

Student Loan Borrower Assistance (A project of the National Consumer Law Center)

<http://www.studentloanborrowerassistance.org/>

Phone: 617-482-0850

A wealth of information on student loan issues.

Federal Student Aid Ombudsman

<http://www.ombudsman.ed.gov/>

Phone: 877-557-2575

A government office that may be able to help with student loan debt after other resources have been exhausted.

Mortgage Issues:

Neighborhood Housing Services

Offers counseling on mortgage issues, refinancing and other housing topics.

<http://www.nhsnyc.org/en/programs-and-services/foreclosure-prevention>



Legal Assistance:

Urban Justice Center

<http://www.urbanjustice.org/ujc/index.html>

Phone: 646.602.5600

The UJC deals with a variety of legal issues.



University Settlement / Project Home Consumer Debt Legal Clinic

Where: 189 Allen St. (between Houston and Stanton), 212-505-1995 (drop-in or make an appointment)



Legal Assistance continued



CAMBA

<http://www.camba.org>

Phone: 718-287-2600

Provides free legal counseling to low-income New Yorkers.

CLARO

Provides legal assistance to debtor-defendants in New York City Civil Court.

Brooklyn Court House

141 Livingston Street, Rm. 403

Thursday 2:30-4:30pm;
6:00-8:00pm

Manhattan Court House

111 Centre Street, Rm. 105

Thursday 6:00-8:00pm

Queens Civil Court

89-17 Sutphin Blvd, Rm. 116

Friday 2:00-4:00pm

Bronx Supreme Court

851 Grand Concourse, Rm. R128A

Thursday 4:00-6:00pm

Alternative Credit Reporting:

Payment Reporting Builds Credit

PBRC allows your on-time payments for rent, utilities and other services to help establish your credit history.

<http://ez.prbc.com/main/faq.php>

To Report Unfair Business Practices:

NEDAP NYC Financial Justice Hotline

<http://www.nedap.org/hotline>

Phone: 212-925-4929

Call the hotline regarding discriminatory banking and credit practices, help with credit reporting and repair, unfair debt collections and more. It serves all consumer financial issues except mortgages.

Need a Bank Account?

Here some low-cost, low-fee options:



Basic Banking:

NYC Safestart Account

<http://www.nyc.gov/html/ofe/html/poverty/safestart.shtml>

The Safestart account is a basic bank account created through a partnership between New York City and several banks and credit unions. There are no overdraft fees, no monthly fees and low minimum balance requirements. Call 311 for more information.

Finding a Credit Union or Community Bank:

The Find a Credit Union Website can help you locate a nearby credit union:

<http://www.findacreditunion.com/>

From the National Credit Union Administration:

<http://www.ncua.gov/dataservices/findcu.aspx>

Find a community bank:

<http://moveyourmoney.info/find-a-bank>



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