

Roadmap to Financial Freedom



CREDIT.ORG

Table of Content

About Credit.org _____	1
Our Services _____	2
Learning Life’s Difficult Lessons _____	3
The Counseling Session _____	4
Debt Management Plan _____	5
Debt Management Plan Basics _____	6
DMP: What We Can Do _____	7
DMP: What We Cannot Do _____	9
DMP: The Creditor’s Part _____	10
DMP: Your Part _____	11
How Will a Debt Management Plan Affect My Credit History? _____	12
Your Journey With Us _____	13
Summary of Key Points _____	14
Contacting Us: _____	17
Glossary _____	18

Copyright © 2023 by credit.org. This material is copyrighted. All rights reserved.

No part of this curriculum may be used or reproduced in any manner whatsoever without prior permission of Credit.org.

Legal Disclaimer: Liability claims regarding damage caused by the use of any information provided will be rejected. Information presented is to the best knowledge of the author and editors correct; however, if the reader intends to make use of any of the information presented in this publication, please verify information selected. No information provided here, or materials referenced, is intended to constitute legal or tax advice. You should not rely on our statements (or materials referenced) for legal or tax advice and should always confirm such information with your lawyers or tax professionals, who should be responsible for taking whatever steps are necessary to check all information and personally ensuring that the advice these professionals provide is based on accurate and complete information and research from any available sources.

0001v012024



About Credit.org



Credit.org is a Nonprofit Consumer Credit Counseling Agency Formed in 1974

Our mission is simple, yet vital: Improve the financial well-being of individuals and families by providing quality financial education and counseling. We offer personal assistance with money, credit, and debt management through educational programs and confidential counseling.



Legal Disclaimer: Liability claims regarding damage caused by the use of any information provided will be rejected. Information presented is to the best knowledge of the author and editors correct; however, if the reader intends to make use of any of the information presented in this publication, please verify information selected. No information provided here, or materials referenced, is intended to constitute legal or tax advice. You should not rely on our statements (or materials referenced) for legal or tax advice and should always confirm such information with your lawyers or tax professionals, who should be responsible for taking whatever steps are necessary to check all information and personally ensuring that the advice these professionals provide is based on accurate and complete information and research from any available sources.

Our Services

Financial Education Programs

We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit.

Debt Management Programs

If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment.

Confidential Debt Counseling

Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

Credit Report Review

Our certified counselors work with you to break down your credit report, answer questions, and give guidance for improving your credit score over time.

Housing Counseling

We are a HUD-approved housing counseling agency. We provide homebuyer education seminars, mortgage counseling, foreclosure prevention assistance, landlord/ tenant counseling, post-homebuyer education, and reverse mortgage counseling (please call ahead for reverse mortgage appointments).

Bankruptcy Pre-petition Credit Counseling

We provide counseling (and a certificate of completion as mandated by the bankruptcy reform law) for those considering bankruptcy. We also provide financial education (and a certificate of completion as mandated by the bankruptcy reform law) for those completing their bankruptcy discharge.

Learning Life's Difficult Lessons

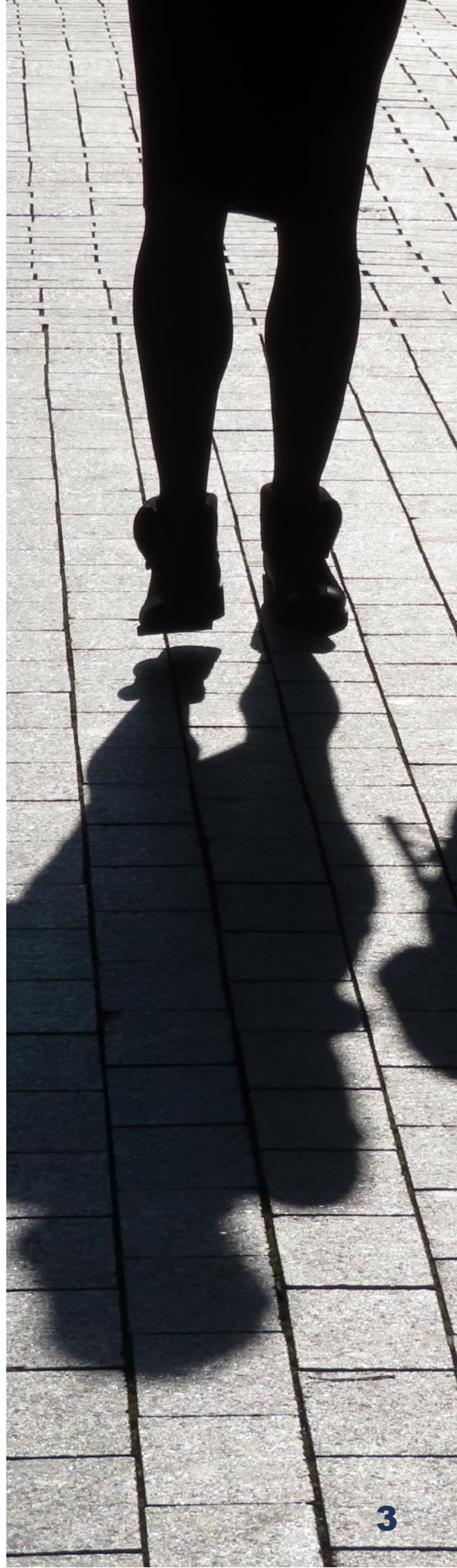
I walk down the street.
There is a deep hole in the sidewalk.
I fall in.
I am lost... I am hopeless.
It isn't my fault.
It takes forever to find a way out!

I walk down the same street.
There is a deep hole in the sidewalk.
I pretend I don't see it.
I fall in again.
I can't believe I'm in the same place.
But, it isn't my fault.
It still takes a long time to get out.

I walk down the same street.
There is a deep hole in the sidewalk.
I see it is there.
I still fall in... it's a habit.
My eyes are open.
I know where I am. It's my fault.
I get out immediately.

I walk down the same street.
There is a deep hole in the sidewalk.
I walk around it.

I walk down another street.



The Counseling Session

When you contact Credit.org for counseling, our certified credit and debt counselors review your finances and budget to recommend a course of action. Most clients are helped by our counseling, budgeting assistance, educational resources, referral resources provided by their credit and debt counselor, and the client leaves with the tools necessary to handle their own finances and manage their debt. However, some of those who come to us for counseling have a financial situation that may require that we refer them to a legal service to determine if bankruptcy is right for them.

In the counseling session, we may determine that the client falls just short of being able to manage their debt. Often this is due to excessive credit card and unsecured debt. Our Debt Management Plan (DMP) is a good way to reduce those payments, however, the DMP is only part of the solution. The DMP combined with Credit.org's in-depth budgeting assistance, recommendations, educational resources and referrals to community social services, along with counseling follow up, allow consumers to regain control of their financial future.

This booklet is designed to help you make the most of your Debt Management Plan. We want everyone to successfully conquer their debt, and we are here to provide whatever help is necessary to make that happen.

Our credit and debt counselors cover a lot of information in the initial counseling session. It can be hard to sort it all out. Often clients have questions that come up after they've completed their session. The Roadmap to Financial Freedom seminar and booklet are designed to answer those questions and expand upon the counseling services received during their initial session.

Credit.org provides counseling follow up, a regular newsletter, learning materials, ongoing educational seminars, social service and community referral resources, and other financial awareness tips.

Debt Management Plan



The Debt Management Plan (DMP) is just a small part of the services credit.org offers. We start with free counseling, budget assistance, education, and we refer clients to appropriate community social service organizations to provide the most comprehensive assistance possible. For a small portion of our clients, the DMP is the best tool to help resolve their financial difficulties. We only recommend a DMP when it is the best possible option, so clients can rest assured that they are enrolled in the right plan.

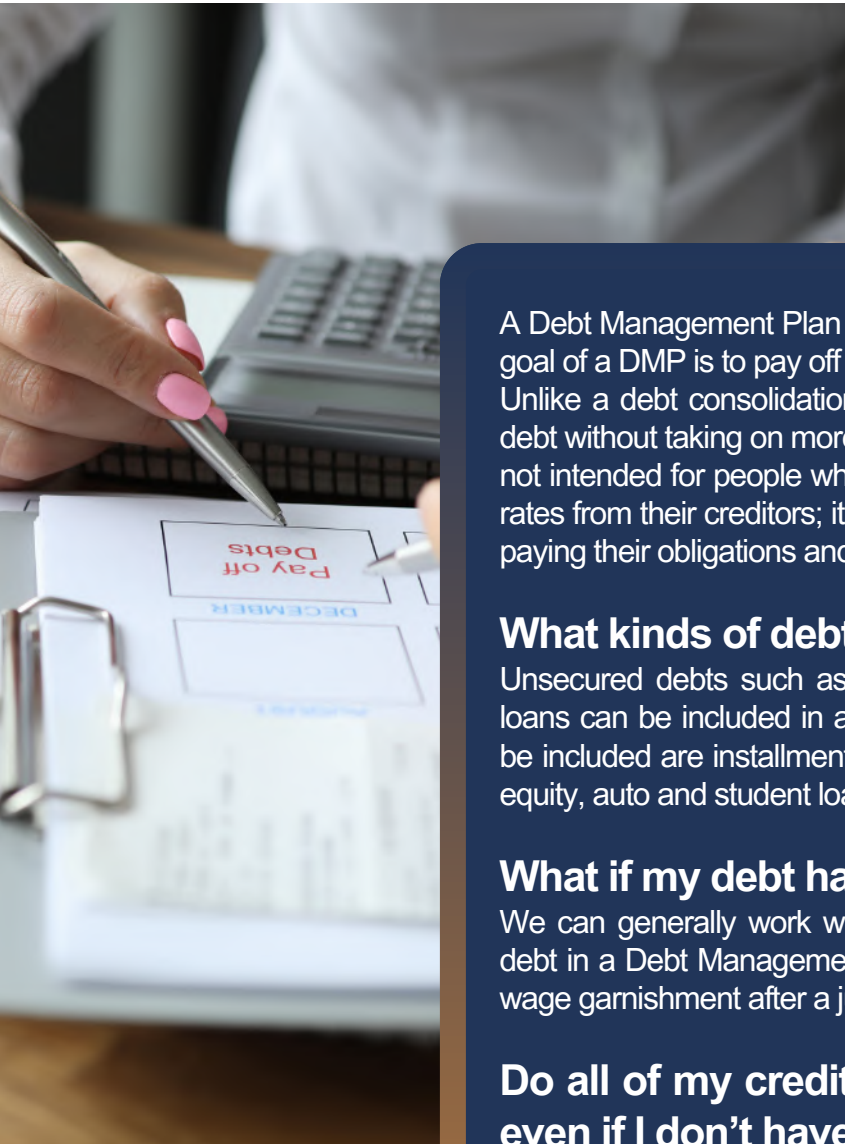
The Debt Management Plan alone is not the answer. The DMP works in conjunction with a realistic spending that first focuses on your essential expenses and then counseling on budgeting, along with information about our free educational resources. We also refer to social service, community resources, and other tools.

Credit.org's DMP is a three-way partnership between you, your creditors, and us. We do not take an "us vs. them" attitude; your success depends upon cooperation from your creditors. Without the concessions they offer in the form of reduced interest, lower fees, etc.. every DMP would be doomed from the start.

We encourage communication among the three partners in the DMP as a key toward successful completion. Everyone has the same goal: to see you resolve your debt, meet your financial goals, and avoid bankruptcy.

If everyone cooperates and does their part, everybody benefits from a Debt Management Plan. Clients see reduced monthly payments and have an action plan to gain control of their financial situation, as well as achieve their goals. Creditors have fewer bankruptcies and collect debts that might otherwise have to be charged off. Credit.org fulfills our mission to promote financial awareness education and service to the community.

Debt Management Plan Basics



A Debt Management Plan is a repayment plan for unsecured debt. The goal of a DMP is to pay off eligible debt entirely within three to five years. Unlike a debt consolidation loan, a DMP allows participants to pay off debt without taking on more loans or credit to accomplish the payoff. It is not intended for people who are simply looking to receive lower interest rates from their creditors; it is designed for those who are having trouble paying their obligations and need assistance in doing so.

What kinds of debts are eligible?

Unsecured debts such as credit cards, medical debt, and unsecured loans can be included in a Debt Management Plan. Debts that cannot be included are installment or secured debt, such as mortgages, home equity, auto and student loans.

What if my debt has gone to a collection agency?

We can generally work with collection agencies to include unsecured debt in a Debt Management Plan, as long as the debt has not gone to wage garnishment after a judgment.

Do all of my credit cards need to go on the plan, even if I don't have a balance?

At a minimum, all accounts will need to be closed, and any accounts with balances will need to be included in the Debt Management Plan.

Can I obtain new credit or use existing credit while on the Debt Management Plan?

All the accounts included in your plan will be closed, and you will be asked not to take on new credit while paying off your debts. Perhaps one of the most valuable lessons participants learn as part of their plan is how to meet their obligations without using credit, and building those good habits while on the DMP can help you prepare for the day when you do use credit again.

DMP: What We Can Do

As one-third of the partnership committed to helping consumers like you avoid bankruptcy and achieve financial freedom, credit.org agrees to do our part to make every DMP a successful one.

We make every effort to help you develop a workable budget

A considerable portion of the counseling session itself is devoted to budgeting. We also require the Power of Paycheck Planning seminar for all of our clients, and we make that material readily available by providing our clients with this seminar either online or by hardcopy workbook.

We act as a liaison between client and creditor, assisting both with questions and concerns.

Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

We keep accurate records of monthly payments received, distribute client funds to creditors as agreed, and supply clients with a monthly statement.

You can check your DMP progress, view a listing of your accounts, and verify payments made to your creditors via the Customer Web Portal at dmpclient.credit.org. Also available via the Customer Web Portal are your monthly statements. Sometimes the balances on your statements from the credit card companies will not match the balances on the Customer Web Portal. We recommend that you update your balances in the portal or send your statements to us as soon as possible so we can update your balances.

We provide seminars on budgeting and related financial topics.

Our seminars, Roadmap to Financial Freedom and Power of Paycheck Planning, are always open to the public and free of charge. Many clients come back to those seminars repeatedly to have questions answered or to get a refresher course in budgeting. The materials for these are available to download for free at www.credit.org or via U.S. mail for those outside our local area or who may be unable to attend in person. We also regularly provide other seminars and these are also available to download for free at www.credit.org or via U.S. mail.

DMP: What We Can Do

We distribute a regular newsletter of useful information to clients

Our client newsletter goes out quarterly; it contains helpful tips on budgeting, money management, and wise spending articles. Also, check our website at www.credit.org to subscribe to our email newsletter and find more educational resources and tools.

Our housing counselors assist with foreclosure prevention

Our agency is certified by the Housing and Urban Development Department as a comprehensive housing counseling agency. Our counselors are available to help all consumers with their housing finances. Just like we work to help consumers with unsecured debt avoid a financial crisis, we work to help homeowners avoid foreclosure and renters avoid eviction.

We provide help & support throughout your Debt Management Plan

We are always just a phone call away. You can reach our DMP Servicing Department at (844) 660-3328. We can assist you with questions regarding your Debt Management Plan, or arrange to connect you with a counselor if your circumstances change. We encourage you to watch the progress of your Debt Management Plan via the Customer Web Portal at (dmpclient.credit.org). Again, open communication is the key to a successful DMP.

We issue a Letter of Completion and Certificate when a client completes the Debt Management Plan and becomes a “graduate”

This crucial final step in the DMP is why it is always a good idea to complete payment through credit.org - even if you are able to pay off your debt early. Won the lottery? Sold your home? Call us and we will contact your creditors for payoff balances and help you pay off your debt in one lump sum payment. As long as you repay the debt through credit.org, we can provide you with a Letter of Successful Completion and a Certificate. Our Letter of Successful Completion and Certificate are proof of your success and can help you re-establish your credit.

DMP: What We Cannot Do

We cannot make a creditor accept payment or a particular payment amount.

Most creditors nationwide know who we are and how we work. Virtually every creditor will accept payment from us on your behalf. But in those rare instances where they will not, we cannot force them to do so.

We cannot make a creditor stop legal action.

If you are being sued, we cannot force a creditor to stop the lawsuit. In many cases, however, creditors will voluntarily halt legal action if they are receiving regular payments through a Debt Management Plan.

We cannot make a creditor eliminate or reduce interest rates or other fees and charges.

Again, virtually every creditor will voluntarily offer some concessions to clients on a DMP; they have an interest in being repaid. But in those instances where creditors refuse to waive fees or reduce interest, we cannot make them do so. Any concessions offered usually will not be applied until after your third consecutive DMP payment.

We cannot make creditors stop calling.

In many cases, calls will continue until the creditor receives three consecutive monthly payments made through the DMP. After the third or fourth payment, creditor calls should stop. If you have made your fourth payment and are still receiving calls, contact us and we can help.

DMP: The Creditor's Part

As we've stated, creditors are overwhelmingly inclined to cooperate with us because they have an interest in being repaid the money they are owed. Creditors know us by reputation and through over 45 years of cooperating with us to see clients avoid bankruptcy and achieve financial freedom.

Creditors in their three-way partnership agree to:

Accept payments through us.

Creditors receive payments from us daily through EFT (Electronic Funds Transfer) and twice weekly by check sent via U.S. mail. We are able to disburse funds for multiple clients on one check, which makes processing payments easier and more efficient for the creditor. It is extremely rare that a creditor will refuse to accept payments from us; even if they do not offer concessions, they still have an interest in getting paid.

Stop calling while full, regular payments are being made.

As we've said, creditors' calls should stop after three consecutive monthly DMP payments. Creditors want to see that you are committed to going through with the Debt Management Plan before they halt collection calls and offer concessions.

Update credit report either during the repayment program or upon full payment of the debt.

When you satisfy your debt through our DMP, it is recorded as paid-in-full on your credit report. Some creditors will wait until you have completed the plan to update your credit report, some will bring your account current after three to four payments and indicate that you are making regular payments. Many creditors indicate that you are participating in a Debt Management Plan on your credit report.

Grant concessions to our clients.

Interest charges are reduced or waived by many creditors. Some creditors will also waive late or over-the limit fees, and often discontinue collection activities as long as full regular payments are made every thirty days. Every creditor is unique in what they offer, but most creditors will make concessions that allow the client to successfully complete the DMP.

****All creditors are treated equally on a DMP. That is one reason they agree to participate***

DMP: Your Part

The final part of the three-way partnership that makes the DMP possible is you. Credit.org and creditors across the country have been helping clients for decades. You can join the long list of successful DMP graduates, but there are some things that will be expected of you:

Take advantage of the free educational resources we offer.

The material you're holding now, the Roadmap to Financial Freedom, is designed to help DMP clients achieve the best results. Our other seminars, including The Power of Paycheck Planning, are designed to help any consumer create a workable budget. We also offer free public seminars on the following subjects:

- First Time Homebuyer
- The Wise Use of Credit
- Understanding Your Credit Score
- Couples and Money
- Surviving the Holidays
- Predatory Lending
- How Am I Going to Pay My Bills?
- Deals for Wheels

Commit to a repayment plan and follow through by making full regular monthly payments.

You are not under any legal contract or obligation, but we urge you to honor your agreement with credit.org and make your payments on time and in full each month. It won't always be easy, particularly at first, but once you've passed the initial 90-day threshold, life on the DMP gets dramatically easier and remember, you can call us any time.

Do not acquire new lines of credit while on the Debt Management Plan or use other existing unsecured credit.

This is a must. Together, we ask your creditors to extend concessions to you based on your commitment to repaying your debts in a set time limit. If your creditors discover that you have acquired new credit while on the DMP, they may drop you from the plan and reinstate the fees and interest charges you had before the DMP.

Monitor all creditor statements and make us aware of any problems or significant balance differences.

This point cannot be stressed strongly enough. Call us as soon as you spot a problem with any of your creditor statements, and if you are not receiving statements, contact your creditor. Credit card companies are large, fast-moving organizations; it is difficult and time consuming for them to go back months or weeks in their records and reverse late charges or correct old errors.

The key to the success of your DMP is your active participation in this partnership! Be alert and contact us at (844) 660-3328 if you notice any problems or have any concerns. The sooner we are made aware, the sooner we can help resolve it.

Contact us if your income increases/decreases or if you are in a financial emergency. We can help you through most situations the sooner you make us aware. If you need to decrease your payments, please contact us so we can review your Debt Management Plan or schedule a new counseling session. During this session we will review your current financial situation, as well as explore any resources available to you. If you would like to increase your monthly DMP payment or pay your DMP or any of your creditors in full, you can do so by calling us at (844) 660-3328.

We ask creditors not to call you if you are meeting the terms of your Debt Management Plan agreement. However, if you make a partial payment, or miss a payment altogether, your creditors may contact you or drop you from the DMP.

How Will a Debt Management Plan Affect My Credit History?

You may be told by the uninformed that entering into a Debt Management Plan is looked upon negatively and that your hopes of receiving a home or a car loan will greatly diminish. This is certainly not true.

- The lending environment has changed and the market understands that it must create an environment that meets the need of individuals who are willing to pay their debts, even though the level of debt may be great.
- Though the option of bankruptcy seems tempting and easy in the short run, the result is devastating in the long run.
- With bankruptcy, your credit report will most definitely be destroyed for many years after you file. It is possible for you to obtain a loan after bankruptcy, but you will in turn pay much higher interest rates.
- Our Debt Management Plan offers you the ability to resolve your debt, put you in control of your finances, educate yourself with managing debt and also feel good about yourself, ultimately translating into personal richness.
- The Debt Management Plan is a voluntary program and creditor participation is done on a voluntary basis. Credit.org will work with both you and your creditors to develop a win-win situation for both parties.
- When you agree to participate in the DMP you will be signing a Debt Management Agreement. There are no contracts involved, just a voluntary agreement to enroll and complete the program.
- Likewise, your creditors voluntarily offer to lower interest rates and fees, and to provide fair share funding to help our agency achieve everyone's goals.

Your Journey With Us



Your successful completion through the Debt Management Plan is key as it will enable you to re-establish credit after you have repaid your debts through credit.org.

Rarely does a credit.org graduate have trouble re-establishing credit if they have stable income. Our plan and educational resources have helped thousands of graduates purchase homes, automobiles, and other credit needs that their income and circumstances will support.

Keys To Success On The Debt Management Plan:

- Relax, you are on your way to becoming debt free
- Take one day at a time
- Focus on the bigger picture
- Complete “The Roadmap to Financial Freedom” and other seminars
- Order your credit report in the first 6-12 months of your program
- If you need anything, don’t hesitate to call us
- Don’t quit

Summary of Key Points

- If you have a creditor who is charging late fees because your payment through us comes to them after your creditor's due date—call the creditor and let them know you want to change your due date (at least 7 days after your due date to credit.org). If you are having a problem getting a creditor to agree to a change of due date, let us know. Please note that some creditors may not agree to change your due date, which may require you to change your DMP payment date with credit.org.
- Contact us if your income level decreases or a financial emergency develops.
- Try to make all payments to us by your agreed upon DMP payment due date. If you make a payment late to credit.org, your payment will in effect be sent late to your creditors. If you make a payment early to credit.org, we will secure and hold those funds until your regularly scheduled payment. If you have extra funds you would like to allocate toward your DMP, please email us specifying that these extra funds are payable outside your regular DMP payment.
- You may make an extra payment to your DMP at any time, by calling Client Services at (844) 660-3328 or by emailing help@credit.org. Making extra payments will reduce the time it will take to pay off your creditors. Extra payments are applied to the creditor with the lowest balance.
- When you enroll into a DMP, credit.org creates a fund accumulation account. A small percentage of each payment is held in this account to be used in the event a creditor sends a counter proposal with a payment amount greater than the initially proposed payment. It is important to note that credit.org does not “keep” any of these funds for our own benefit. Once all proposals have been accepted by your creditors, we will distribute the accumulated funds in this account and redirect the monthly payment to the creditor with the lowest balance.
- Always let us know as early as possible if and why you may have to miss a payment. Many creditors view anything less than a full DMP payment as a missed payment. This can adversely affect your status with the creditors. Your creditors will want you to make up the money that was not sent to them. Many creditors restart late fees unless you make up the missed payment, and will continue charging them for up to a year before re-aging the account again.
- You are the only one who gets your statements from creditors. If a payment is not posted for the correct amount, or it is not reflected on your statement (and you know the payment should arrive before the statement cut-off date) please let us know. We can help resolve an improperly credited payment, but the longer you wait to inform us of a problem, the more difficult it is to get it corrected.
- Your DMP payment will remain the same until all creditors are paid-in-full.
- Proposed monthly creditor payments are subject to creditor approval and the required amount may increase depending upon individual creditor policy.
- In most cases, creditors may agree to reduce or waive your interest rate, and or re-age your account. This will generally require three to four consecutive payments after the proposal has been accepted by the creditor. Changes to your interest rate or waiving of fees, and the re-aging of your account, are done at the creditor(s) discretion.

Summary of Key Points

- Fair share contributions are a voluntary donation from creditors who participate in the Debt Management Plan. The funding is often calculated as a percentage of clients' monthly payment. However, your accounts with your creditors will always be credited with 100% of the amount you pay us and we will work with all your creditors regardless of whether they contribute to our agency. We prefer accepting fair share contributions from creditors to charging higher fees to our clients.
- It may take approximately 90 days for the DMP to be acknowledged/accepted by the creditor. This is known as the "qualifying period". During the 90-day qualifying period you may experience late fees, over limit fees, calls from your creditors, and or negative credit reporting.
- Some accounts may be ineligible for a DMP based upon the individual creditor's criteria.
- Creditors may report that you are on a DMP to the credit reporting bureaus. Credit.org has no responsibility or obligation for any past, present or future credit rating and or reporting.
- One of the agreements when entering into a DMP is that you will close your credit card accounts and not obtain any new ones until you are debt-free.
- If you currently have automatic payments set with your creditors, you will need to cancel these arrangements. You will also need to contact each creditor to change your account due date(s) to coincide with your DMP payment deposit date.
- Credit.org balances are estimates. You will need to update your account balances by uploading your credit card statements, or by using the "Update Balances" feature on the Customer Web Portal. You can access the Customer Web Portal at: dmpclient.credit.org.
- A budget and repayment plan is developed with your financial credit and debt counselor.
- We provide free educational materials and advice to help you. If (and only if) your situation warrants it, we recommend enrollment in a Debt Management Plan.
- We enter the details of your Debt Management Plan (by creditor and payment amount) into our computer system and make the information available to you via the Customer Web Portal.
- We send payment proposals to each of your creditors on a personalized basis according to your DMP. By sending proposals to your creditors, followed closely by your regularly scheduled payment, we can optimize the acceptance of those proposals.
- In response, your creditors will inform credit.org, or in some cases you directly, whether they accept the proposal as is, request a change, or decline it. We inform you of any necessary changes. Our proposal is based on the information you provided during your initial counseling session. The more accurate and current that information, the less likely it is a creditor will reject it.
- The standard method of payment is through our Automated Clearing House (ACH) automatic bank withdrawal. Clients have the amount of their payment automatically withdrawn directly from their checking or savings account. This method of payment ensures consistent monthly payments.

Summary of Key Points

- ACH payments are held for three business days prior to being distributed to your creditors. • We distribute your funds once a month to your creditors according to the specific details of your Debt Management Plan. Again, it is important to make your payments consistently and by your due date.
- Funds received from our clients are disbursed every day by Electronic Funds Transfer” (EFT), so creditors receive payments right away. It is important to note that some creditors only accept payments via check. We always disburse funds according to the creditor preference.
- Monthly statements are available via the Customer Web Portal at dmpclient.credit.org. You can also monitor your account activity and update your account balances via the portal.
- You let us know promptly if there are any significant differences in the information on your statement from us, and your creditor’s statements. Be sure to either update your balances on the Customer Web Portal or upload your creditor statements every four to six months so we can update your balances on our system.
- When an account is near payoff, we will contact the creditor to obtain the remaining balance and reduce your final monthly payment to that creditor, as necessary. Your step is to verify with the creditor or on your statement that the balance has indeed been paid-in-full. Once paid off, that creditor payment will be distributed to the creditor with the lowest balance.
- Your minimum monthly payment remains the same throughout the program. This is built into the structure of your DMP. If you need to reduce your monthly payment after a creditor account has been paid-in-full, the amount of time the DMP will take to be paid off will increase.
- Throughout the life of your plan, we are here to offer advice and assistance. If you have any problems or questions please let us know right away, as it’s usually easier to solve problems early on.
- When all accounts are paid off, we will send you a Letter of Successful Completion and a Certificate as proof of your Debt Management Plan success.

Contacting Us

We're always available to answer your questions and address your concerns.

Our Counseling Number is **(800) 431-8157**

Our DMP Number is **(844) 660-3328**

Our DMP Fax Number is **(951) 783-1796**

You can also find us on the internet at **www.credit.org**

Email us at **education@credit.org** with any questions you may have.

DMP clients can also find us on the internet at **dmpclient.credit.org** or email **help@credit.org**

Credit.org is Helping in Many Ways

As the credit industry evolves and changes, we must grow and evolve as well. When new laws are passed that have an impact on consumers, we make it a priority to be ahead of the curve in providing nonprofit financial services to all consumers. Here are some of the services we offer to consumers:

Housing Help

Our certified housing counselors can help to avoid foreclosure, provide homebuyer certificate education, rental counseling, and reverse mortgage education.

First Time Homebuyer Seminars

An in-depth workshop designed to help you make better choices and decisions when buying your home. Approved by HUD, Freddie Mac & Fannie Mae. To learn more, visit us online at credit.org/homebuyerclass/.

Student Loan Counseling

At studentdebt.org, we help individuals with student loan debt find the right repayment solution. Our advisors will evaluate each person's situation and will walk them through the process step-by-step. No obligation, just trustworthy and impartial advice.

Educational Programs

If you can't attend in person, check our website for free downloads of our most popular subjects. You can also call us, or e-mail at education@credit.org to request free materials.

Glossary

Here you'll find some useful terms gathered in one place and defined.

- **Annual Fee** - The bank charge for use of the card levied each year, which can range from \$15 to \$300, billed directly to the customer's monthly statement.
- **Annual Percentage Rate (APR)** - The cost of credit on a yearly basis, expressed as a percentage rather than a dollar amount. Creditors are required by law to disclose the APR.
- **Automated Clearing House (ACH)** - A system that allows credit.org clients to have their DMP payment automatically withdrawn directly from their checking or savings account. This is our preferred method of payment, as it ensures consistent monthly payments.
- **Balance Transfer Fees** - The fee charged to customers for transferring an outstanding balance from one credit card to another. Many card issues offer "teaser" rates to encourage balance transfers.
- **Bankruptcy** - A legal proceeding that can legally release a person from repaying debts.
- **Budget** - A detailed written record of income earned and spending plan for a specific time period.
- **Charge Off** - A debt that has been written off by the creditor as uncollectible; the debt remains valid and subject to collection.
- **Collection** - A creditor's attempt to recover a past-due payment by turning the account over to a collection department or company. Having a debt in collection is a serious negative on a credit report.
- **Concessions** - Some creditors agree to lower interest rates and eliminate fees for DMP clients. Most creditors will also agree to a smaller minimum monthly payment, making it possible for those on a DMP to make ends meet.
- **Credit Bureau** - A credit reporting agency that gathers information on the credit rating of individuals or firms. Often called a "credit repository" or a "consumer reporting agency." The three largest credit bureaus in the U.S. are Equifax, Experian and TransUnion.
- **Credit Counseling Service (CCCS)** - An organization that provides personal financial education to consumers and helps people in debt create workable budgets and pay off their debts. Credit.org was founded in 1974 as CCCS of the Inland Empire.
- **Credit History** - A record of an individual's use of credit over time.
- **Credit Report** - The document of a consumer's credit history, including a record of current and past debts and the timeliness of their repayment.
- **Debt Management Plan (DMP)** - A repayment plan that helps consumers pay off debts over a set period of time with consolidated payments, often with reduced monthly payments, interest rates, and fees.
- **Debt-to-Income Ratio** - A comparison of gross income to expenses.

Glossary

- **Default Purchase Rate** - If you default on your account, your card issuer may sell your debt to a collection agency or other company. That could make you responsible for a different and higher rate.
- **Electronic Funds Transfer (EFT)** - Credit.org delivers client payments to creditors via EFT, ensuring that our payments are processed immediately. When clients use our Automated Clearing House (ACH), the entire process is automated, allowing for fewer mistakes and much faster delivery of payments.
- **Fair Debt Collection Practices Act (FDCPA)** - A federal law that limits what collection agents can do when attempting to collect a debt. Applies only to 3rd party debt collectors, not the original creditor, though many states have laws that enforce FDCPA regulations on original creditors. If you have Internet access, Google search "FDCPA" for more information.
- **Fair Share** - One of the ways non-profit credit counseling agencies receive funding. Fair share contributions are a voluntary donation from creditors who participate in the Debt Management Plan. The funding is often calculated as a percentage of clients' monthly payment. However, your accounts with your creditors will always be credited with 100% of the amount you pay us and we will work with all your creditors regardless of whether they contribute to our agency. We prefer accepting fair share contributions from creditors to charging higher fees to our clients.
- **FICO® Score** - A credit score, ranging from 300-850, devised by FICO™, which lenders use to determine whether they will extend credit to a consumer and at what interest rates.
- **Finance Charge** - The charge for using the card comprised of interest costs and other fees. The finance charge can be calculated with the following formula: Average daily balance x Daily periodic rate x number of days in billing cycle.
- **Grace Period** - A time period during which a borrower can pay the full balance of credit due and not incur any finance charges. Some creditors have in their terms and conditions that there is no grace period and the finance charges are based on how many days the account carried a balance before being paid off. There is typically no grace period on cash transactions such as cash advances, balance transfers and the fees associated with the cash transaction.
- **Hard Inquiry** - An item on an individual's credit report that indicates that someone has requested a copy of the report. Hard inquiries are requests that result from an application for credit, such as a mortgage, car loan, credit card or rental application. These inquiries affect an individual's credit score.
- **Insurance/Protection** - Protection against loss of life, disability, unemployment, etc. for the cardholder. This coverage pays or cancels the monthly payments for a time period if the cardholder loses a job through no fault of his/her own. Policies and protection plans vary, and the monthly fee is usually based on the amount of the credit card balance.
- **Investigative Consumer Reports** - Consumer reports that are usually requested for background checks or security clearances. An investigative consumer report usually contains information obtained from a credit report, but it is more comprehensive than a credit report. It contains subjective material on an individual's character, habits and mode of living, which is obtained through interviews of associates.
- **Judgment** - A court order placing a lien on a debtor's property as security for a debt owed to a creditor.
- **Late Fee** - The fee charged customers for paying late or less than the required minimum payment due by the due date.

Glossary

- **Nonprofit** - A business organization that serves as a public benefit organization, is legally constituted to serve a public purpose and whose objective is to support or engage in activities of public benefit.
- **Open Debts** - Also known as open lines of credit, or “charge cards”, these debts are due in full at the end of each month; the most common open credit line is the traditional American Express card.
- **Opt Out** - A consumer’s ability to notify credit reporting agencies, direct marketers and list compilers to remove their name mailing lists. To opt out of prescreened credit offer lists, call 1-888-5OPTOUT (1-888-567-8688).
- **Overlimit Fee** - The fee charged customers for going over their credit line. Under the Credit CARD Act of 2009, consumers must “opt in” to be able to go over their credit limit and incur a fee.
- **Personal Statement** (also called a “1200 Word” statement) - Consumers may write a general explanation about the information on their credit reports and have it added to the report. The statement lasts for two years and is presented to anyone who reviews the credit report.
- **Rate shopping** - Applying for credit with several lenders to find the best interest rate, usually for a mortgage or a car loan. If done within a short period of time, it should have little impact on a person’s credit score.
- **Reward Program Fee** - The fee charged customers to be enrolled in a rewards program. Some creditors do not charge a fee.
- **Secured Loan** - A loan that is backed by collateral, such as an auto loan or a loan that finances the purchase of some appliances or furniture.
- **Security Freeze** - A temporary hold on one’s credit report, preventing new credit grantors from seeing it until the freeze is released. Court orders, child support enforcement, and companies with which the consumer already has a credit relationship are not subjected to the freeze.
- **Soft Inquiry** - An item on a credit report that indicates that someone has asked for a copy of the report. Soft inquiries include requests from current creditors to review the file, prospective creditors who want to send out a pre-approved credit card offer, or an individual’s review of his or her own file. Soft inquiries are not included when determining an individual’s credit score.
- **Tax Lien** - A claim against property, or assets, filed by the taxing authority for unpaid taxes.
- **Tradeline** - An entry by a creditor to a consumer’s credit report, describing the consumer’s account status and activity. A tradeline includes names of companies with which the consumer has accounts, dates accounts were opened, credit limits, types of accounts, balances owed and payment histories.
- **Transaction Fees** - Fees for various transactions, such as using your card for cash advances.
- **Universal Default Rate** - Was a policy, banned by the Credit CARD Act of 2009, that some lenders/creditors used to punish borrowers who paid any creditor late. It was most commonly used by credit card companies and revealed in the fine print of their contracts with consumers.
- **Unsecured Loan** - A loan that is not backed by collateral; it is guaranteed only by the borrower’s promise to repay.



Roadmap to Financial Freedom

Credit.org

1825 Chicago Avenue
Suite 240
Riverside, CA 92507

PO Box 5438
Riverside, CA 92517-5438

1-800-WISE-PLAN (800.947.3752)

www.credit.org

