



TRADE LINES, CREDIT AND DEBT

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HOW DO I USE CREDIT?

- When you use credit, it usually means using a credit card. It also might mean that you get a loan. A loan is another way to use credit.
- Using credit means you borrow money to buy something.
- You borrow money (with your credit card or loan).
- You buy the thing you want.
- You pay back that loan later – with interest.

- Interest is what you pay for using someone else's money. You repay money to whoever gave you the credit card or loan.
- Credit cards and loans have different interest rates. Look for the "APR." APR means annual percentage rate. It is how much interest you pay during a whole year.
- A lower interest rate means you pay less money. A higher interest rate means you pay more money. For example, a loan with a 2% interest rate costs less than a loan with an 18% interest rate.

WHAT IS INTEREST?



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MANY PEOPLE USE A CREDIT CARD TO BUY EVERYDAY THINGS. YOU MIGHT USE A CREDIT CARD TO PAY FOR:

- GROCERIES
- GAS

SERVICES :

- FURNITURE
- EDUCATION
- A CAR OR HOME

WHEN CAN I USE CREDIT

- Banks and credit unions offer credit cards. They usually offer credit cards to people with a good credit history.
- Some stores offer credit cards. You can use a store credit card only in that store. Sometimes these cards are easier to get if you do not have a good credit history. Sometimes a store credit card is a good way to build your credit history

WHERE CAN I GET A CREDIT CARD?

WHAT IF I CAN'T GET A CREDIT CARD?

- Banks and other companies offer secured credit cards. This means you deposit money with the bank. Then you spend that money by using the secured credit card.
- A secured credit card works like a debit card. You use your money, not a loan from a bank. A secured credit card can help you build your credit history

LOANS

Where can I get a loan?

- Banks and credit unions offer loans. They usually offer loans to people with a good credit history.
- Some stores offer loans to buy their product. These loans often cost more money.

Why? Because interest often is higher on a store loan than on a bank loan.

What if I can't get a loan?

There are other ways to borrow money. Some people go to a payday lender. Some use the title to their car to get a loan. Some people pawn things.

These other ways to borrow are expensive. They almost always cost more than going to a bank, a credit union or a store. Some people have problems with debt after using these ways to borrow. The charges can be very high. It is hard to pay the money back and get out of debt.

MONTHLY

Date: _____

Budget

Mortgage/Rent: _____ Dish/Cable: _____
Utilities: _____ Internet: _____
Home Insurance: _____ Personal Loan: _____
Car Insurance: _____ Credit Card: _____
Car Loan: _____ Groceries: _____
Home Phone: _____ Gas: _____
Cell Phone: _____ Misc.: _____

MONEY IN - MONEY OUT = MONEY LEFT

Budget Notes:

MANAGING DEBT WHAT CAN I DO TO GET OUT OF DEBT?

- Start by making a budget.
- Write down how much money you make every month. Write down how much you spend every month. Include:
 - Rent
 - Car payment
 - Insurance
 - Utilities
 - Food
 - Gas
 - Credit card bills
- Other bills Look for ways to spend less money. You might not find ways to save. But it helps to write down what you spend. Then you can make a budget.

HOW ELSE CAN I TRY TO GET OUT OF DEBT?

- How can I get help?

Credit counselors can help you make a budget. Credit counselors also can help you plan to repay your debt. A good credit counselor will spend time with you. The counselor will ask you all about your finances.

A good counselor will:

- Talk with you
- Help make a plan that works for you
- A good counselor will not:
 - Wont make promise to fix all your problems or charge you a lot of money before doing anything
- Call the companies you owe money to. Explain why you have trouble paying your bill. Ask for a “payment plan.” Some companies might let you pay less every month until you have repaid all the money.
- Call the company before it sends your debt to a debt collector. Many debt collectors will not accept a payment plan.



WHAT IS A DEBT MANAGEMENT PLAN?

Debt management plans might help some people. These plans do not help everyone. A good credit counselor can help you decide what might help you.

A “debt management plan” is one way to repay money you owe.

Here is how it works:

- A credit counselor works with you and the companies you owe money to.
- You all agree to a plan for how you will repay the money you owe.
- Sometimes the companies agree to a lower interest rate. Sometimes they do not.
- Every month, you deposit money into an account with the credit counselor.
- The credit counselor pays your credit card, medical, or student loan bills.
- This continues until your debt is repaid.

WHAT IS A DEBT SETTLEMENT PLAN?

SOME PEOPLE SAY A “DEBT SETTLEMENT PLAN” IS A WAY TO REPAY MONEY YOU OWE.

BUT MANY COMPANIES THAT OFFER THESE PLANS MAKE PROMISES THEY CANNOT KEEP.

- SOME COMPANIES SAY:
- THEY CAN HELP YOU PAY LESS THAN YOU OWE AND GET OUT OF DEBT.
- THEY CAN GET BAD INFORMATION TAKEN OFF YOUR CREDIT REPORT.
- YOU SHOULD STOP PAYING YOUR BILLS AND SEND THE MONEY TO THEIR COMPANY. MANY PEOPLE WHO USE DEBT SETTLEMENT PLANS FIND THEY OWE MORE MONEY, NOT LESS. THESE COMPANIES CHARGE YOU A LOT OF MONEY, AND THEN THEY DO NOT HELP YOU

WHAT DOES A DEBT COLLECTOR DO?

• A DEBT COLLECTOR IS SOMEONE WHO TRIES TO COLLECT MONEY OWED TO SOMEONE ELSE.

• THE COMPANY YOU OWE MONEY TO HIRES A DEBT COLLECTOR.

THE DEBT COLLECTOR ONLY MAKES MONEY IF HE GETS MONEY FROM YOU.

THE DEBT COLLECTOR STARTS CALLING YOU TO GET THAT MONEY.

IF THE DEBT COLLECTOR DOES NOT GET THE MONEY, HE MIGHT TAKE YOU TO COURT.

WHAT RULES MUST A DEBT COLLECTOR FOLLOW?

A LAW GIVES RULES FOR DEBT COLLECTORS. THE LAW SAYS THAT DEBT COLLECTORS:


- CAN CALL ONLY FROM 8 A.M. TO 9 P.M.
- CANNOT TELL ANYONE ELSE ABOUT YOUR DEBT
- CAN TALK TO SOMEONE ELSE ONLY TO FIND OUT YOUR ADDRESS, HOME PHONE NUMBER, OR WHERE YOU WORK
- CANNOT HARASS YOU – FOR EXAMPLE, THEY CANNOT CURSE AT YOU OR THREATEN TO HURT YOU
- CANNOT LIE TO YOU THE LAW ALSO SAYS DEBT COLLECTORS MUST SEND YOU A WRITTEN NOTICE ABOUT YOUR DEBT. THIS IS CALLED A “VALIDATION NOTICE.” THE NOTICE MUST SAY:
 - HOW MUCH YOU OWE
 - WHO YOU OWE THE MONEY TO • WHAT TO DO IF YOU DO NOT OWE THE MONEY



ARE THERE PROBLEMS WITH DEBT COLLECTORS?

THE GOVERNMENT GETS COMPLAINTS FROM THOUSANDS OF PEOPLE ABOUT DEBT COLLECTORS.

SOME OF THE COMPLAINTS SAY DEBT COLLECTORS:

- BREAK THE RULES
 - THREATEN PEOPLE
 - CALL THE WRONG PERSON
 - LIE WHILE THEY TRY TO COLLECT A DEBT THAT IS NOT YOURS
- 

WHAT CAN I DO IF A DEBT COLLECTOR CALLS?

IN CASE A DEBT COLLECTOR CALLS:

- KEEP A NOTEBOOK BY YOUR PHONE OR WITH YOU.
- ASK THE DEBT COLLECTOR HIS NAME, HIS COMPANY'S NAME, ADDRESS, PHONE NUMBER, AND WHY HE IS CALLING.
- WRITE THE ANSWERS IN YOUR NOTEBOOK. WRITE THE DATE AND TIME YOU TALKED. • THEN YOU HAVE A RECORD IF YOU NEED TO COMPLAIN, OR IF YOU NEED TO GO TO COURT TO DEFEND YOURSELF.
- HOW CAN I STOP CALLS FROM A DEBT COLLECTOR?
- DO YOU WANT THE DEBT COLLECTOR TO STOP CALLING YOU? YOU MUST SEND A LETTER TELLING THE DEBT COLLECTOR TO STOP CALLING. THE LAW SAYS HE MUST STOP CALLING YOU THEN.
- IF A DEBT COLLECTOR BREAKS THE LAW, FILE A COMPLAINT. THE FEDERAL TRADE • COMMISSION TRIES TO CATCH DEBT COLLECTORS WHO BREAK THE LAW.
- YOU CAN HELP. REPORT BAD DEBT COLLECTORS TO THE FEDERAL TRADE COMMISSION AT :
1-877-382-4357

STOPPING CALLS DOES NOT MEAN THE DEBT GOES AWAY. THE DEBT COLLECTOR MIGHT STILL SUE YOU TO COLLECT MONEY.

IF YOU ARE BEING SUED, YOU SHOULD GET A NOTICE IN THE MAIL. SOMETIMES, THIS IS CALLED A “SUMMONS.”

IN A LAWSUIT, THE DEBT COLLECTOR USUALLY ASKS THE COURT TO:

- SAY HOW MUCH YOU OWE
- MAKE YOU REPAY THAT AMOUNT
- THE COURT MIGHT EVEN TELL YOUR EMPLOYER TO TAKE MONEY OUT OF YOUR PAYCHECK UNTIL YOU REPAY WHAT YOU OWE. THIS IS CALLED “GARNISHING” YOUR WAGES.

• DO NOT IGNORE NOTICES ABOUT A LAWSUIT. IF YOU DO NOT GO TO COURT, YOU AUTOMATICALLY LOSE.

WHAT HAPPENS IF I GET SUED?



On Spending: “If you buy things you do not need, soon you will have to sell things you need”.

On Savings: “Do not save what is left after spending, but spend what is left after saving”.

On Taking Risk: “Never test the depth of river with both the feet”.

On Investment: “Do not put all eggs in one basket”.

On Expectations: “Honesty is very expensive gift. Do not expect it from cheap people”.