



...a brighter tomorrow

# THE CONSUMER ADVOCATE

Fall 2013

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## Thank You

Citi, Bank of America, Chase, TD Charitable Foundation, People's United Community Foundation, Cablevision, NCRC, Discover and all of our other funders for your support!

## Have You Defaulted on Your Student Loans? There is Help Available!

If you have student loans that are already in default (because you missed several payments) or you are concerned that you may default in the future, you are certainly not alone! In fact, according to the latest report by the Department of Education, one in every ten consumers holding a federal student loan who began repayment between October 1, 2010 and September 30, 2011 is in default. Plus, over the past six years, the number of student loans in default increased annually.

Although you may *want and try* to make payments on your student loan(s), events beyond your control, such as a job loss or reduction of income, often make it difficult to continue payment. If you cannot afford to make your monthly payment(s), it is always best to be proactive. Contact your lender immediately and request assistance. Your lender may temporarily reduce or suspend payments. Any payment changes must be approved by your lender.

If you stop making payments or alter your repayment plan without approval, your lender will consider your loan to be "in default". Once you have defaulted, you will likely receive telephone calls and/or written correspondence from a collection agency attempting to collect the debt. If these collection efforts are unsuccessful, the lender may utilize the following strategies to collect money owed to them:

**Please note:** The collection tactics detailed below are primarily used by

agencies attempting to collect defaulted federal student loans (loans guaranteed by the government).

- **Tax Refund Interception:** If you are eligible for a tax refund, it may be intercepted and applied as a payment toward your defaulted student loan. Prior to interception, you will receive written notification and be given an opportunity to request a hearing to discuss/dispute the interception. Additionally, if you are married and file a joint tax return, the entire return may be intercepted. However, the spouse (who is not in default) may be able to recover a portion of the seized funds by filing Form 8379 (Injured Spouse Allocation) with the IRS.
- **Wage Garnishment:** Up to 15% of your disposable pay or the amount of disposable pay in excess of \$217.50 per week, whichever is less, can be garnished (taken) every paycheck until your loan is repaid. Disposable pay is defined as your take home pay after taxes and other qualifying deductions.  
  
For example, a borrower has a weekly disposable pay of \$400. The collector can garnish 15% of the borrower's disposable income ( $\$400 \times 15\% = \$60$ ) or any income in excess of \$217.50 ( $\$400 - \$217.50 = \$182.50$ ), whichever is less. In this example, the collection agency would garnish \$60 per week until the debt is paid in full.

## Have You Defaulted on Your Student Loans?

If a collection agency is threatening to garnish your wages for repayment of a federal student loan, ask for an affordable repayment agreement. If a plan is agreed upon and you make timely payments, it is unlikely that the collection agency will garnish your wages.

**Please note:** An agency collecting on a defaulted federal student loan is not required to obtain a judgment (court order) to intercept your tax refund or garnish your wages. These collection tactics may be utilized until the debt is paid in full.



Luckily, there are two options that can help an individual in default on their federal student loans, get out of default, loan consolidation and loan rehabilitation.

Loan consolidation is the fastest way to “cure” a defaulted student loan. Loan consolidation allows you to take several of your existing federal loans (either current or in default) and combine them into one “new” loan. Typically, through consolidation, your monthly payment is lowered because your repayment term is extended. As a result, your monthly payment becomes more affordable. Plus, after your loans are consolidated, you may be eligible for a flexible repayment plan, which may further reduce your monthly payment. You may also be eligible for loan forgiveness, which after a period of qualifying payments are made, any remaining balance owed is forgiven (does not have to be paid back).

Loan rehabilitation is the second option available to borrower’s in default. To “rehabilitate” a loan, you must make nine consecutive “reasonable and affordable” monthly payments as outlined by your lender. The “reasonable and affordable” monthly payment *can and should* be negotiated. Remember, never agree to a payment arrangement that is more than you can afford. After you have successfully completed your repayment plan, the loan is “rehabilitated” or no longer “in default”. Once out of default, you may be eligible for a flexible repayment plan and loan forgiveness.

For more information on student loans, including but not limited to, how to obtain a student loan, repayment plans, collection tactics, loan forgiveness, etc., visit [www.finaid.gov](http://www.finaid.gov) or contact one of Debt Counseling Corporation’s Certified Personal Finance Counselors at 888.354.6332. We are here to help!

## Debt Counseling’s Success Stories



DCC periodically receives letters from consumers we educate as well as from clients paying down their credit card debt through DCC’s Debt Management Program. They share their stories of financial burden which has been successfully turned around with our help. DCC welcomes these narratives as they are great encouragement for those who are just starting out. Following is a note we received from one of our clients who is now on their way to financial freedom.

“How can I express how grateful I am to you for everything you have done? I wish to thank you so very much for the excellent work you have done supporting me and my family at this difficult time in my life. You have been extraordinary with everything – teaching all the classes and all the work you did with me at your office! I am so thankful for your guidance you have given me at your office! This weekend, I saved approximately \$1,400 by switching insurance companies and combining the home and auto. I didn’t have the courage to do that at this time without your encouragement! Thank you!” ~P.M.

Want to share your story? Email Carly Wardwell, Education Director at [cwardwell@debtcounselingcorp.org](mailto:cwardwell@debtcounselingcorp.org).

## Do You Know..... How to Reduce Your Holiday Expenses?

### Celebrity \$ense

According to the National Retail Foundation, on average, Americans will spend \$737.95 on gifts, decorations and cards during the 2013 holiday season. Have you created a plan for your expenses this holiday season? Are you financially prepared for these expenses? If not, set aside at least thirty minutes today to make a holiday financial plan (budget).

First, determine an amount you **can afford** to spend on gifts, decorations and cards this season. Once you have established how much you can afford to spend, create a plan for how you are going to spend your funds. For example, \$150 on gifts, \$15 on cards, etc. Next, make a list of all the people you plan to purchase gifts for, include everyone-family, friends, co-workers, your kids teachers, neighbors, etc. Then, determine a dollar amount you will spend on each person along with several gift ideas that fall into that price range. After you have created your list, add up how much you plan to spend in total and make sure you have not gone over your budget. If you have gone over your budget, go back to your list and make adjustments to reduce your total expenses.

Are you still having trouble staying within your budget? Implement some of the following ideas to help cut costs:

- If you have a large group of friends or a big family that you generally purchase gifts for, instead of getting each person a gift, arrange to do a grab bag gift exchange or "Secret Santa". Each member of the group chooses a name out of a hat and the name they select will be the one person they buy a gift for. Set a limit as to how much should be spent on the gift.
- Shop sales! If you start shopping early, you can spread out the cost and feel less of "a pinch". Plus, shopping early allows you time to find gifts that fit into your budget. Last minute shoppers tend to spend more because they do not have the time to shop around. Also, compare prices of brick and mortar stores to reputable online retailers, which sell similar products, often at a reduced cost.
- With friends, you may want to forego gift giving altogether. Instead, arrange for a day that you can all spend together. Or, only buy gifts for your friend's children.
- Don't hesitate to talk to friends and family members about eliminating gift giving altogether. You may be surprised at how relieved friends and family will be when you bring it up! Not only will you help yourself avoid overspending, but you are likely helping your friends and relatives too!

Debt Counseling Corporation understands having a conversation about reducing or eliminating gifts this holiday season may be uncomfortable. But, ask yourself, "If I spend more money than I planned to this holiday season, what am I going to have to do without to make up for it?" Will this result in your own bills not being paid? Will you use credit cards? If you are unable to pay off the credit card(s) in their entirety the following billing cycle, how much more will you have to pay in interest and fees? Ask yourself, "Are these purchases worth the financial sacrifice I will have to make?" It is unlikely your friends and family want you to go into debt or forego paying a bill in order to purchase them a gift.



Plus, don't forget other expenses associated with the holiday season. These expenses may include an increase in your grocery bill (if you are hosting a holiday gathering), increase in travel expenses (gasoline, tolls, train fare, etc.) and the like. You will need to add these expenses in your budget too! If you would like assistance creating a holiday budget for this upcoming holiday season or next (it is never too early to start!) contact one of DCC's Certified Personal Finance Counselors at 888.354.6332. We are always here to help!

***Money never made a man happy, nor will it. The more a man has, the more he wants. Instead of filling a vacuum, it creates one.***

***~Benjamin Franklin***

**The staff of Debt Counseling Corporation wish you and your family a happy holiday!**

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### ***Spotlight on the Community***

This fall, as part of Debt Counseling Corporation's **Program EFFECT** (**E**mployees **F**inancial **F**reedom **E**ducational **C**redit **T**raining), our Education Director conducted two workshops hosted by Eastern Suffolk BOCES EAP (Board Of Cooperative Educational Services Employee Assistance Program).

Throughout the 2012-2013 school year, the EAP received several requests for financial counseling, including budget counseling, housing counseling, student loan counseling, etc. from employees struggling to meet their financial obligations. To best meet this need, Debt Counseling Corporation facilitated two workshops entitled Money, Credit & Debt and Family Budgeting for EAP participants. Due to the success of these workshops, DCC scheduled three additional Money, Credit & Debt workshops at local libraries which will be held this winter.

### **What's New at DCC**

In December, Cablevision, Long Island's leading cable provider, will air a thirty second Public Service Announcement (PSA), educating consumers about Debt Counseling Corporation's comprehensive financial counseling services, gratis. Our PSA will air on a variety of channels including, but not limited to Fox, ESPN, MTV, NBC, CNBC to name a few. Visit our Facebook page to preview our PSA. DCC can be found by searching "Debt Counseling Corp."

Additionally, if you reside in Brookhaven Township (Long Island), be sure to tune in to Cablevision's Public Access Channel for DCC's educational television program entitled How to Establish a Positive Credit History. This program airs every Thursday at 9:30AM through March 2014.



The mission of Debt Counseling Corporation is to educate the general public about debt management options such as budgeting, refinancing, and a debt management program; to provide consumers consistent, superior, individualized service; to provide each consumer with the tools they need to develop and modify a budget which will allow them to maintain a dignified lifestyle.