



...a brighter tomorrow

THE CONSUMER ADVOCATE

Spring 2013

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Thank You

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What's the difference?

Prepaid Credit Cards versus Secured Credit Cards

There are so many choices when it comes to credit cards - different banks, logos, perks, fees, etc. How do you know which card is right for you?

When most people think about credit cards, they think of a "traditional" credit card. These cards, typically issued by banks, credit unions and retailers allow a buyer (you) to take possession of something now and pay for it later (either in full or over a period of time). You are sent a monthly bill for all the charges incurred during the billing cycle. If you are unable to pay your balance in full, you are charged interest or a fee on the amount you did not pay back. When buying something "on credit", creditors (organizations you owe money to), report your history of making payments (on-time or late) to three credit reporting agencies, Equifax, Experian and TransUnion.

If you are unable to obtain a traditional credit card (i.e. you have been denied) or simply choose not to get a traditional card, there are other "credit" options available to you - a prepaid credit card or a secured credit card. But what is the difference between the two?

Prepaid credit cards require you to deposit a dollar amount (in any amount you choose) on the card. The funds are then drawn down as you make purchases (similar to a gift card). Many prepaid credit cards are "reloadable," which means you can add funds to replenish your credit line at any time for continued use. Prepaid credit cards are typically issued by major creditors (Visa, Mastercard, Amex, etc.) and can be used anywhere their card is accepted.

Comparatively, a secured credit card, also issued by major creditors, requires you to provide the creditor with collateral (typically money). In turn, you receive a credit card with a credit limit valued at the amount of the collateral (or another agreed upon amount). A secured credit card is used just like a traditional credit card where you make purchases throughout the month (up to your credit limit). When you make purchases, funds are NOT withdrawn from your collateral. Instead, at the end of the billing cycle you receive a bill for the purchases made. You elect to pay your balance in full (which is recommended) or a lesser agreed upon amount, referred to as the minimum payment, in order to keep the account in good standing. If you do keep your account in good standing, when you close the credit card or after a period of on-time payments, the collateral will be returned to you. If you do not keep your account in good standing, the creditor will use the collateral as payment.



Prepaid Credit Cards versus Secured Credit Cards

Now that you know more about how each credit card works, what are the advantages and disadvantages of each card?

| Prepaid Credit Card | Secured Credit Card |
|--|--|
| Advantages: <ul style="list-style-type: none"> Helps you control your spending because you can only spend up to the amount deposited on your prepaid credit card Allows you to purchase items that cannot be bought with cash (i.e. online transactions) or at companies that require a credit card to utilize their services (i.e. car rental) | Advantages: <ul style="list-style-type: none"> Most secured credit cards report your account activity to the credit reporting agencies. If the card is used responsibly (i.e. on-time payments), it will help you establish or re-establish a positive credit history If your credit report shows you have used your secured credit card responsibly, when you apply for a loan or a traditional credit card, you are more likely to be approved with favorable terms (low interest rate) |
| Disadvantages: <ul style="list-style-type: none"> Fees are typically charged on activities such as card activation, monthly maintenance, cash withdrawals, balance inquiries, paper statements, account inactivity, and much more. Fees may appear nominal, but they add up quickly. Shop around for the card that is right for you Account activity is not reported to the credit reporting agencies. Therefore, a prepaid credit card does not help you establish or re-establish your credit history | Disadvantages: <ul style="list-style-type: none"> Fees typically include an annual fee, monthly fee and interest is charged on any balance you do not pay at the end of the billing cycle. Interest rates vary, so shop around for the best rate Just like traditional credit cards, late payments are reported to the credit reporting agencies, adversely affecting your credit history |

All credit cards have their pros and cons. Before you decide if a prepaid or secured credit card is right for you, consider all of the advantages and disadvantages each card has to offer and how the card will help you reach your financial goals. If you have any additional questions about the difference between prepaid credit cards and secured credit cards or need help deciding which card is right for you, contact one of our Certified Personal Finance Counselors at 888.354.6332. We can help you on your way to ...a brighter tomorrow.

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 have received from one of our clients who is now on their way to financial freedom.

"I am writing to sincerely thank you for all your help these past few months. I am not overstating anything when I say that the DCC program completely changed my life for the better. Before I first contacted you several months ago, I had a mountain of credit card debt that was growing monthly and had been for several years. Now, while it was extremely helpful to renegotiate all my interest rates and put me on a program that would help eliminate my debt, the most beneficial aspect of your program was forcing me to

Debt Counseling's Success Stories

Celebrity \$ense

"If you have to ask, you can't afford it"

***~John Piermont
(J.P.) Morgan,
American Financier***

examine what I was spending and how my lifestyle was completely unsustainable as I was living well beyond my means. By going through each aspect of my financial life, I was able to see what was important and what was superfluous. Furthermore, without the safety net of credit cards, I was forced to properly budget and this is the first time in my life (and I am 34 years old) that I have done so.

Now, I am on a path to eliminate over \$50,000 of credit card debt in a few years. I don't waste money on ridiculous things. I have not missed a payment on any bill in months and I have you and your organization to thank for it. On a personal level, you consistently showed me that you genuinely cared about my financial state. You followed up constantly, gave me pointers, taught me how to budget properly, and for this I thank you." ~Y.A.

Want to share your story? Email Carly Wardwell, Education Director at cwardwell@debtcounselingcorp.org.

Did You Know..... About the National Do Not Call Registry?



Do you receive telemarketing calls? Is your mailbox filled with catalogs you do not want? These catalogs and calls can be a temptation to buy things you might never have even considered if not continually swamped by this advertising. Don't let these unwanted solicitations cause you to overspend. Stop these solicitations by following these simple instructions:

Telemarketing Calls: Register your personal phone number (business and fax numbers cannot be registered) with the National Do Not Call Registry by telephone or online. To register via telephone, call 1.888.382.1222 from the phone number you wish to register. Or, visit www.donotcall.gov and register up to three phone numbers at a time. Telemarketing calls will stop 31 days or sooner after your phone number has been registered.

Don't worry! If at a later date you decide you want to receive telemarketing calls again, call 1.888.382.1222 and take your name off the National Do Not Call Registry and telemarketing calls will resume. Otherwise, your phone number will remain on the Registry until the number has been disconnected and reassigned.

*Please note: Most telemarketing calls will stop, but there are a few exceptions. Calls on behalf of political organizations, charities, surveyors and companies with whom you have an existing business relationship will continue.

Unsolicited Mail/Email: Direct Marketing Association (DMA) is a trade association that is responsible for direct mailing (i.e. catalogs, magazine offers and the like) for nearly 3,600 businesses and non-profit organizations. To stop direct mailings, register your contact information at www.dmachoice.org. Once registered, you can manage which organizations you receive direct mailings from or you can "delete" your name from all direct mailing solicitations for five years. You can also register your personal email address, which will stop unsolicited email for six years.

*Please note: Registration will reduce most unsolicited mail and email; however organizations that do not use Direct Marketing Association's Services will continue solicitation.

If you have additional questions or concerns, contact The National Do Not Call Registry at 1.888.382.1222, Direct Marketing Association at 212.768.7277 or contact one of Debt Counseling's Certified Personal Finance Counselors at 888.354.6332.

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Spotlight on the Community

Debt Counseling Corporation is proud to announce that as a result of the superior performance of our counseling and education departments, Long Island consumers voted DCC the first place winner (in the division of credit counseling) in the **2013**

Best of Long Island awards.

Debt Counseling Corporation would like to thank all of our clients and members of our community who recognized the value of our financial counseling and education programs and voted for DCC!



What's New at DCC

Through DCC's Spanish centered financial literacy program, **Esperanza Financiero** or "Financial Hope", Debt Counseling Corporation teamed up with the Central Islip Civic Council. The Central Islip Civic Council is a non-profit community agency that offers a variety of programs, including educational workshops, affordable housing services, cultural activities and like to the predominantly low to moderate income Hispanic community.

DCC is proud that we have been selected by the Central Islip Civic Council as their go-to financial literacy resource. Beginning in June, DCC will travel to the Central Islip Civic Council monthly to offer financial counseling (in Spanish) to consumers utilizing their programs.



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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.