



## ***NFCC PRESS RELEASE***

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### **DON'T BE SPOOKED BY FINANCIAL DECISIONS**

Silver Spring, MD – Halloween tricks or treats come along only once a year, but the consequences of financial decisions usually last far past the next spooky holiday. Options that seem good on the surface, if not handled properly, can have long-lasting negative consequences.

To understand how a seemingly good financial move can work against you, the National Foundation for Credit Counseling (NFCC) encourages consumers to review the following to see if their actions are resulting in a welcome financial treat or a trick to be avoided.

- **Discontinuing the use of credit**
  - **Treat:** Living on a cash basis means that you never overspend or pay interest on your purchases. Typically, people who pay with cash save 20 percent over those who charge their goods and services.
  - **Trick:** At some point in their life, most people will need access to credit. Consumers will be well-served by creating a thick and positive credit file. To do so, it is necessary to have at least three open and active lines of credit.
- **Automatic bill paying**
  - **Treat:** Arranging for your payments to be sent to creditors before the due date means you'll never have a late fee or a dinged credit report.
  - **Trick:** If you neglect to balance your check register and the automatic payment results in an overdraft, you've defeated the purpose.
- **Bundling of services**
  - **Treat:** Consumers can often enjoy a significant savings if they use the same provider for their land phone, cell phone, cable and Internet services.
  - **Trick:** If you use the savings from the bundling of services for a larger, more expensive plan than you really need, it's no savings at all.
- **Co-signing on a loan**
  - **Treat:** You can help another person establish credit, rebuild credit, or purchase something beyond what they could on their own credit worthiness.
  - **Trick:** The co-signer and primary borrower are equally responsible for payment of the loan. As well-meaning as people are, things happen. Never co-sign on a loan unless you can afford to solely take over the payments.
- **Balance transfers**
  - **Treat:** With a lower interest rate, you can repay the debt sooner and save the money you would have paid with the higher APR.
  - **Trick:** Faulty thinking leads you to believe that since the interest rate on the new card is so low, it won't hurt to charge a few things. Before you know it, the introductory period with the low rate has expired, and not only is your original balance not paid off, but it's higher than when you began.

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- **Reward Cards**
  - **Treat:** You can earn miles, airline points, or even cash back with reward cards.
  - **Trick:** Reward categories often change each month, resulting in fewer rewards than hoped for. Further, some people tend to spend more simply to earn the rewards. If you can't pay the balance in full each month, a reward card is probably not for you.
- **Closing unused accounts**
  - **Treat:** Streamlining your finances makes them more manageable. Also, less plastic in your wallet equals fewer temptations to spend.
  - **Trick:** Closing an account will lower your total credit line, potentially making your debt ratio worse. Further, you'll lower the longevity factor of your credit score.
- **Opting into overdraft protection**
  - **Treat:** You'll avoid the embarrassment of having your purchase denied at checkout.
  - **Trick:** Overdraft protection is expensive, particularly for those who routinely overdraw their checking account. This false sense of security is only putting a band-aid on the true financial problem: spending more than you make. Even if the overdrafts result from legitimate purchases such as food or medicine, it is a better option to get to the root of the continued financial distress and solve it.
- **Freezing your credit file**
  - **Treat:** A frozen credit file is a layer of protection against identity theft since no one can open a new account in your name without you first lifting the security freeze.
  - **Trick:** There may be fees associated with this service, and you may have to wait days for the account to be "unfrozen," which can be inconvenient if you want your credit file to be immediately accessible for instant credit. Others who may be denied access to your credit file include insurance companies, landlords, employers who need to obtain a background check, cell phone companies, and utilities.
- **Purchasing extended warranties**
  - **Treat:** An extended warranty can provide you with peace of mind.
  - **Trick:** Some items are inexpensive or have a very good track record, thus you don't need to pay for a warranty on them. If the item under warranty does break, you may be asked to jump through some difficult hoops to activate the warranty, or the warranty may not cover what you thought it did.

"Consumers should thoroughly research and fully understand the risks and benefits to any financial decision they make," said Gail Cunningham, spokesperson for the NFCC. "Simply because an offer sounds appealing, doesn't mean it is."

Don't get spooked by your financial decisions. Reach out for help from a trained and certified NFCC Member Agency counselor. To find the Agency closest to you, dial toll-free to (800) 388-2227, or go online to [www.DebtAdvice.org](http://www.DebtAdvice.org). For assistance in Spanish, call (800) 682-9832.

### **About National Foundation for Credit Counseling**

*The National Foundation for Credit Counseling (NFCC), founded in 1951, is the nation's largest and longest serving national nonprofit credit counseling organization. The NFCC's mission is to promote the national agenda for financially responsible behavior and build capacity for its Members to deliver the highest quality financial education and counseling services. NFCC Members annually help four million consumers through more than 800 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC Member, call (800) 388-2227, (en Español (800) 682-9832) or visit [www.nfcc.org](http://www.nfcc.org).*