



# DOLLARS & SENSE

A bi-monthly publication of  
**CONSUMER CREDIT COUNSELING SERVICE**  
OF NORTHERN COLORADO AND SOUTHEAST WYOMING

Fort Collins ~ Loveland ~ Longmont ~ Greeley ~ Sterling ~ Cheyenne

April/May 2009

## Debt settlement may be too good to be true

When the bottom falls out financially, people need help and they need it fast. Being in such a vulnerable situation often makes you susceptible to offers that on the surface may seem good, but in the end leave you worse off than when you began.

The airwaves are filled with ads promising quick relief from debt, and guarantees of happy endings. But all too often, that relief comes at a cost not only to your pocketbook, but also to your credit score.

Debt settlement companies, sometimes known as debt negotiators or arbitrators, can make the path to financial freedom sound appealing, but the reality may be very different from the rosy picture painted by the commercials.

Consumers are encouraged to thoroughly investigate and understand any debt resolution option, including debt settlement, before selecting it as a way out of their financial distress. The following information is meant to assist consumers in evaluating service providers offering to assist with settling debts.

- Debt settlement is a process through which your creditor agrees to accept less than the full amount owed, yet considers the balance as paid. Settlement companies often advertise that they can negotiate reductions of 50 percent or more of the debt you owe. They then set up a repayment plan that typically takes between two and four years.

- Settlement companies charge significant fees. Different settlement companies have different fee structures, but there are two basic approaches. In one model, the settlement company's fee will be a percentage of your total debt. The fees in that model typically range from 13-20 percent. Another option the settlement company may offer is to base their fee on the amount of debt reduction they can negotiate. Fees under this model can be as high as 35 percent. In addition, many settlement companies also charge a monthly fee that can range from about \$19 - \$89 a month for the entire program. Either way, it is not uncommon for settlement fees

Continued on Page 2...

## Loose change... Notes, news, & upcoming events ...

*Free workshops (except when noted \*). For more information about any class please call (970) 494-3307.*

### FORT COLLINS

#### **Financial Fitness (2 parts)**

Fort Collins Senior Center: Free  
April 16 & 23, 2009 6:30 pm – 8:30 pm  
(970) 494-3307 to register

#### **Organize Your Financial Life**

CCCS Office, 1247 Riverside Ave  
April 21, 2009 12 pm – 1 pm  
(970) 494-3307 to register

#### **Living Green Makes MoneySense**

Fort Collins Main Library: Free  
April 28, 2009 7:00 pm – 8:00 pm  
(970) 494-3307 to register

### LONGMONT

#### **Living Green Makes MoneySense**

St. Vrain Memorial Building: Free  
April 21, 2009 6:30 pm – 8:30 pm  
(303) 651-8404 to register

#### **Raising MoneySensible Kids**

CCCS Office, 2919 17th Ave. unit #109  
April 23, 2009 6:00 pm – 7:00 pm  
(970) 494-3307 to register

#### **Organize Your Financial Life**

St. Vrain Valley Credit Union: Free  
April 30, 2009 6:00 pm – 8:00 pm  
(720) 652-7117 to register

#### **Job Loss: Securing Your Finances**

St. Vrain Memorial Bldg: Free  
May 5, 2009 6:30 pm – 8:30 pm  
(303) 651-8404 to register

### LOVELAND

#### **Organize Your Financial Life**

\*Chilson Recreation Center:  
\$5 Facility Fee  
April 8, 2009 6:30 pm – 8:30 pm  
(970) 962-2440 to register

#### **Concerning Credit: Cards, Reports & Scores**

Habitat for Humanity: Free  
April 15, 2009 6 pm – 8 pm  
(970) 494-3307 to register

### GREELEY

#### **Financial Fitness (2 parts)**

\*Greeley Recreation Center:  
\$5 Facility Fee  
May 7 & 14, 2009 6:30 pm – 8:30 pm  
(970) 350-9400 to register

### WELD COUNTY

#### **Savings 101**

Carbon Valley Regional Library  
April 20, 2009 12 pm – 1 pm  
(720) 685-5100 to register



**MoneySense**  
FINANCIAL HEALTH CENTER

a program of



CONSUMER CREDIT  
COUNSELING SERVICE  
OF NORTHERN COLORADO AND SOUTHEAST WYOMING

Visit us on the Web at [www.cccsnc.org](http://www.cccsnc.org)  
Phone: 970-229-0695 Fax: 970-229-0721

## Debt settlement may be too good to be true, Continued...

to total thousands of dollars. In Colorado, companies providing these services must be registered and their fees are regulated. For a list of Colorado registered companies go to [www.ago.state.co.us/UCCC/debtmgmtmain.cfm.html](http://www.ago.state.co.us/UCCC/debtmgmtmain.cfm.html). Never use a company that is not registered in Colorado.

- Some debt settlement companies front load their fees. In other words, they collect a large part of their fee before you receive any benefit. Much of the money you initially deposit goes to pay the settlement company to satisfy its fees. It can be months after you start the settlement program before your creditor receives any payment.
- A settlement company may suggest that you stop paying your creditors and instead begin making deposits into a special third-party account. The settlement company will attempt to negotiate a settlement offer with your creditor once enough money relative to the debt is on deposit. This may take six months or more, although the exact length of time will vary with circumstances. During this time, the balance on your debt can continue to grow if interest and various penalty fees continue to be charged by your creditor. As a result, you may owe more than when you started and your credit may suffer because of your failure to make any payments on your debt. Even worse, legal actions such as wage garnishment or a judgment may be filed against you during this time.
- Debts paid off through settlement will generally show "Paid by Settlement" on a consumer's credit report. If you later apply for new loans or credit, when reviewing your credit report the prospective lender(s) will see that a previous debt was paid by settlement, indicating that your repayment did not cover the total

debt that you owed, but that your creditor accepted a lesser amount.

- The credit score is based on information contained in the credit report, with the highest consideration given to how you repay your debts. If you're not repaying the creditor or have missed payments, it will show on your credit report and potentially lower your credit score significantly.
- The consumer may be responsible for taxes on the forgiven debt. If the forgiven debt totals \$600 or more, you will generally owe income taxes on the amount forgiven, substantially reducing the total savings from debt settlement.

Consumers should exercise extreme caution if they decide to work with a settlement company. Many of these companies are very new and inexperienced. During a time when every penny counts, experience does indeed matter.

### The Money Bus Tour

The Money Bus Tour is coming to Fort Collins on Wednesday April 8th, 2009. It is never too late to start taking steps to prepare for a secure financial future. During the stop, volunteer financial advisors will be on-hand to conduct the following activities at the Elks Club on Oak and Remington in Fort Collins, CO. Free financial advisors will be on hand and free classes will be taught on budgeting, career change and retirement. Visit [www.YourMoneyBus.com](http://www.YourMoneyBus.com) for up-to-date schedule information, classes, and activities.

### CCCS of Northern Colorado and Southeast Wyoming extend a sincere congratulations to our Debt Management Program (DMP) grads in November & December of 2008

<u>Start Date:</u>	<u># of Creds:</u>	<u>Total Paid:</u>	<u>Start Date:</u>	<u># of Creds:</u>	<u>Total Paid:</u>
10/30/2003	7	\$42,157.29	7/15/2004	6	\$21,570.96
1/30/2004	5	\$19,487.39	11/30/2005	13	\$17,521.86
5/15/2004	16	\$7,310.50	8/15/2005	5	\$5,921.60
10/30/2004	4	\$9,802.10	10/30/2005	10	\$25,431.32
7/30/2005	4	\$11,519.93	11/30/2005	5	\$5,717.90
5/30/2006	8	\$7,706.50	12/30/2005	10	\$24,915.42
4/15/2004	6	\$26,613.04	1/30/2006	6	\$4,284.69
9/15/2005	9	\$18,615.75			
6/15/2004	4	\$27,610.49			
			<b>TOTALS:</b>	<b>118</b>	<b>\$276,186.74</b>

## CONGRATULATIONS!

